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CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 64

Introduced by Assembly Members Krekorian and Bass

December 9, 2008

An act to amend Sections 25500, 25740, 25740.5, 25741, and 25742 of, and to repeal Chapter 4.3 (commencing with Section 25330) of Division 15 of, the Public Resources Code, and to amend Section 454.5 of, to amend and repeal Section 387 of, to add Section 399.23 to, to add Chapter 4.5 (commencing with Section 950) to Part 1 of Division 1 of, and to repeal Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code, relating to energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 64, as amended, Krekorian. Energy: renewable energy resources: generation and transmission.

(1) The Public Utilities Act imposes various duties and responsibilities on the Public Utilities Commission (PUC) with respect to the purchase of electricity and requires the PUC to review and adopt a procurement plan and a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program. The program requires that a retail seller of electricity, including electrical corporations, community choice aggregators, and electric service providers, but not including local publicly owned electric utilities, purchase a specified minimum percentage of electricity

generated by eligible renewable energy resources, as defined, in any given year as a specified percentage of total kilowatthours sold to retail end-use customers each calendar year (renewables portfolio standard). The renewables portfolio standard requires the PUC to implement annual procurement targets for each retail seller to increase its total procurement of eligible renewable energy resources by at least an additional 1% of retail sales per year so that 20% of its retail sales are procured from eligible renewable energy resources no later than December 31, 2010. Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to certify eligible renewable energy resources and to design and implement an accounting system to verify compliance with the renewables portfolio standard by retail sellers. Under existing law the governing board of a local publicly owned electric utility is responsible for implementing and enforcing a renewables portfolio standard for the utility that recognizes the intent of the Legislature to encourage renewable resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.

This bill would recast the renewables portfolio standard program, to be operative on January 1, 2011, to require that a retail seller and a local publicly owned electric utility: (1) procure at least 20% of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2010, (2) procure at least 25% of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2015, and (3) procure at least 33% of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2020. The PUC would be responsible for implementing these requirements for retail sellers, while the governing board would be responsible for implementing these requirements for a local publicly owned electric utility. The bill would require the PUC to establish ~~annual~~ procurement targets for retail sellers that are sufficient to reach the above-stated requirements. The bill would require that an electrical corporation's renewable energy procurement plan include a process that provides criteria for the rank ordering and selection of eligible renewable energy resources to comply with the above-stated procurement requirements so that each corporation's total renewables portfolio benefits ratepayers. The bill would require the PUC to annually establish and adopt a benchmark price for electricity generated by an eligible renewable energy resource, for terms corresponding to the length of contracts, in consideration of specified matter, and for each

electrical corporation, to establish a limitation on the total costs expended above the benchmark prices for procurement of electricity pursuant to the renewables portfolio standard *and would prohibit the limitation from exceeding 5% of the electrical corporation's revenue requirements*. The bill would require the PUC to allow an electrical corporation or other retail seller to limit its procurement to the quantity of eligible renewable energy resources that can be purchased at or below the cost limitation if insufficient to support the total costs expended above the benchmark price. The bill would revise existing law with respect to the use of renewable energy credits to meet the renewables portfolio standard procurement requirements ~~and would allow retail sellers and local publicly owned electric utilities to meet up to 10% of its renewables portfolio standard procurement requirements from nondeliverable renewable energy resources, as defined.~~

(2) Existing law requires the PUC to require the state's 3 largest electrical corporations, Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Edison, to identify a separate electrical rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. Existing PUC resolutions refer to the nonbypassable rate component as a "public goods charge." The public goods charge moneys are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources. Existing law establishes the Renewable Resource Trust Fund in the State Treasury and requires that certain moneys collected to support renewable energy resources through the public goods charge are deposited into the fund and authorizes the Energy Commission to expend the moneys pursuant to the Renewable Energy Resources Program. The program states the intent of the Legislature to increase the amount of electricity generated from eligible renewable energy resources per year so that amount equals at least 20% of total retail sales of electricity in California per year by December 31, 2010.

This bill would revise the Renewable Energy Resources Program to state the intent of the Legislature to increase the amount of electricity generated from eligible renewable energy resources per year, so that it equals at least 20% of total retail sales of electricity in California per year by December 31, 2010, 25% of total retail sales of electricity in California per year by December 31, 2015, and 33% of total retail sales

of electricity in California per year by December 31, 2020. The bill would revise the definitions applicable to the Renewable Energy Resources Program to incorporate the definition of an eligible renewable energy resource from the renewables portfolio standard program, would define what is a “new” and “existing” eligible renewable energy resource, would delete certain unneeded defined terms, and would make other conforming changes.

~~(3) Existing law requires every electrical corporation to file with the PUC a standard tariff for electricity generated by an electric generation facility, as defined, that is owned and operated by a retail customer of the electrical corporation. Existing law requires that the electric generation facility: (1) have an effective capacity of not more than 1.5 megawatts and be located on property owned or under the control of the customer, (2) be interconnected and operate in parallel with the electric transmission and distribution grid, (3) be strategically located and interconnected to the electric transmission system in a manner that optimizes the deliverability of electricity generated at the facility to load centers, and (4) meet the definition of an eligible renewable energy resource under the California Renewables Portfolio Standard Program. Existing law requires that the tariff provide for payment for every kilowatthour of electricity generated by an electric generation facility at a market price referent established by the PUC pursuant to the program. Existing law requires the electrical corporation to make this tariff available to customers that own and operate an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come-first-served basis, until the combined statewide cumulative rated generating capacity of those electric generation facilities equals 500 megawatts, or the electrical corporation meets its proportionate share of the 500 megawatt limit based upon the ratio of its peak demand to total statewide peak demand of all electrical corporations. Existing law authorizes the PUC to modify or adjust the above-described requirements for any electrical corporation with less than 100,000 service connections, as individual circumstances merit. Existing law provides that the electricity generated by an electric generation facility counts toward the electrical corporation’s renewables portfolio standard and provides that the physical generating capacity counts toward meeting the electrical corporation’s resource adequacy requirements.~~

This bill would instead require an electrical corporation to file with the PUC a standard tariff for the electricity purchased from a small-scale

~~renewable distributed generation facility, as defined, that is owned, leased, or rented by a retail customer of the electrical corporation. The bill would revise the first requirement, discussed above, to instead require that the small-scale renewable distributed generation facility have an effective capacity of not more than 5 megawatts, subject to the authority of the PUC to reduce this megawatt limitation, discussed below. The bill would require that the tariff provide for a base payment rate for every kilowatthour of electricity purchased from a small-scale renewable distributed generation facility at the benchmark price established by the PUC pursuant to the California Renewables Portfolio Standard Program, for a period of 10, 15, or 20 years, as authorized by the PUC. The bill would authorize the PUC to adjust the payment rate to reflect the value of the electricity on a time-of-delivery basis and any other attributes of renewable generation and require, with respect to rates and charges, that ratepayers that do not receive service pursuant to the tariff are indifferent, with respect to rates and charges, to whether other ratepayers receive service pursuant to the tariff. The bill would require the electrical corporation to make the tariff available to any customer that owns, leases, or rents a small-scale renewable distributed generation facility within the service territory of the electrical corporation, upon request, on a first-come-first-served basis, until the combined statewide cumulative rated generating capacity of those facilities subject to tariffs with electrical corporations reaches 500 megawatts, or its proportionate share of that limit. The bill would provide that the electricity purchased from a small-scale renewable distributed generation facility count toward meeting the electrical corporation's renewables portfolio standard and that electricity generated by the small-scale renewable distributed generation facility count toward meeting the electrical corporation's resource adequacy requirements. The bill would require the PUC, in consultation with the ISO, to monitor and examine the impact on the transmission and distribution grid and any effects upon ratepayers resulting from small-scale renewable distributed generation facilities operating pursuant to the bill's provisions, would require the PUC to establish performance standards for any small-scale renewable distributed generation facility that has a capacity greater than one megawatt to ensure that those facilities are constructed, operated, and maintained to generate the expected annual net production of electricity and do not impact system reliability, and would authorize the PUC to reduce the 5 megawatt capacity limitation if the PUC finds that a reduced capacity limitation is necessary to~~

~~maintain system reliability within that electrical corporation's service territory. The bill would recast the existing authority of the PUC to modify or adjust the above-described requirements for any electrical corporation with less than 100,000 service connections, as individual circumstances merit.~~

~~This bill would require a local publicly owned electric utility that sells electricity at retail to 75,000 or more customers to adopt and implement a tariff for electricity purchased from a small-scale renewable distributed generation facility meeting certain size, deliverability, and interconnection requirements and to consider certain factors. The bill would require the local publicly owned electric utility to make the tariff available to customers that own and operate a small-scale renewable distributed generation facility within the service territory of the utility, upon request, on a first-come-first-served basis, until the combined statewide cumulative rated generating capacity of those small-scale renewable distributed generation facilities, subject to tariffs with local publicly owned electric utilities, reaches 250 megawatts. The bill would provide that the electricity purchased from a small-scale renewable distributed generation facility count toward meeting the local publicly owned electric utility's renewables portfolio standard annual procurement targets.~~

~~(4)~~

(3) Existing law creates the California Consumer Power and Conservation Financing Authority, with powers and responsibilities as prescribed, including the issuance of revenue bonds, for the purposes of augmenting electric generating facilities and to ensure a sufficient and reliable supply of electricity, financing incentives for investment in cost-effective energy-efficient appliances and energy demand reduction, achieving a specified energy capacity reserve level, providing financing for the retrofit of inefficient electric powerplants, and renewable energy and conservation. Existing law creates in the State Treasury the California Consumer Power and Conservation Financing Authority Fund, and continuously appropriates all money in the fund, except as specified, for the support of the authority. Existing law prohibits the authority from approving any new program, enterprise, or project, on or after January 1, 2007, unless authority to approve such an activity is granted by statute enacted on or before January 1, 2007.

This bill would establish the Renewables Infrastructure Authority, with powers and responsibilities as prescribed, including the issuance of revenue bonds of up to \$6,400,000,000, for the purposes of financing

projects and programs, as defined, to build eligible renewable energy resources and electric transmission lines, as defined, to deliver the electricity generated to retail customers. The authority would have a 9-member governing board, as prescribed. The bill would establish the Renewables Infrastructure Authority Fund and continuously appropriate moneys in the fund, except as specified, for the authority's purposes.

The bill would authorize the authority to designate an area as a renewable energy designation zone, as defined. Each city or county would be required to consider the designated zone when making a determination regarding a land use change within or adjacent to the zone that could affect its continuing viability to accommodate energy generation facilities, related transmission lines, transmission corridor zones, or other facilities appurtenant to the designated zone. Notwithstanding provisions of law that give the Energy Commission authority to certify certain thermal powerplants and related facilities, the authority would have the authority to certify all sites and related facilities in a designated renewable energy designation zone, including new sites and related facilities and changes or additions to an existing facility.

The bill would authorize the authority to certify all electric transmission lines, remote resource interconnection lines, electric transmission facilities and facilities appurtenant thereto, and related facilities in the state, except any electric transmission lines or facilities appurtenant thereto for which the PUC has issued a certificate of public convenience and necessity, or which any municipal utility has approved, before January 1, 2010, and electric transmission lines that connect generation facilities to the high-voltage transmission grid that are under the certification authority of the Energy Commission.

(5)

(4) Existing law authorizes the Energy Commission to designate a transmission corridor zone on its own motion or by application of a person who plans to construct a high-voltage electric transmission line within the state. Existing law provides that the designation of a transmission corridor shall serve to identify a feasible corridor where a future transmission line can be built that is consistent with the state's needs and objectives as set forth in the strategic plan adopted by the PUC. Existing law prescribes procedures for the designation of a transmission corridor zone, including publication of the request for designation and request for comments, coordination with federal

agencies and California Native American tribes, informational hearings, and requirements for a proposed decision.

This bill would repeal these provisions of law, and would give to the Renewables Infrastructure Authority the authority to designate transmission corridor zones.

~~(6)~~

(5) Under existing law, a violation of the Public Utilities Act or an order or direction of the PUC is a crime. Because some of the provisions of this bill would require an order or other action of the PUC to implement its provisions, and a violation of that order or action would be a crime, the bill would impose a state-mandated local program by creating a new crime. By placing additional requirements upon local publicly owned electric utilities, which are entities of local government, and new requirements upon city and county governments, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 4.3 (commencing with Section 25330)
2 of Division 15 of the Public Resources Code is repealed.
3 SEC. 2. Section 25500 of the Public Resources Code is
4 amended to read:
5 25500. (a) In accordance with the provisions of this division,
6 and except as otherwise provided in Article 7 (commencing with
7 Section 990) of Chapter 4.5 of Part 1 of Division 1 of the Public
8 Utilities Code, the commission shall have the exclusive power to
9 certify all sites and related facilities in the state, whether a new
10 site and related facility or a change or addition to an existing
11 facility. The issuance of a certificate by the commission shall be
12 in lieu of any permit, certificate, or similar document required by
13 any state, local or regional agency, or federal agency to the extent
14 permitted by federal law, for such use of the site and related
15 facilities, and shall supersede any applicable statute, ordinance, or

1 regulation of any state, local, or regional agency, or federal agency
2 to the extent permitted by federal law.

3 (b) After the effective date of this division, no construction of
4 any facility or modification of any existing facility shall be
5 commenced without first obtaining certification for any such site
6 and related facility by the commission, as prescribed in this
7 division.

8 SEC. 3. Section 25740 of the Public Resources Code is
9 amended to read:

10 25740. It is the intent of the Legislature in establishing this
11 program, to increase the amount of electricity generated from
12 eligible renewable energy resources per year, so that it equals at
13 least 20 percent of total retail sales of electricity in California per
14 year by December 31, 2010, 25 percent of total retail sales of
15 electricity in California per year by December 31, 2015, and 33
16 percent of total retail sales of electricity in California per year by
17 December 31, 2020.

18 SEC. 4. Section 25740.5 of the Public Resources Code is
19 amended to read:

20 25740.5. (a) The commission shall optimize public investment
21 and ensure that the most cost-effective and efficient investments
22 in renewable energy resources are vigorously pursued.

23 (b) The commission's long-term goal shall be a fully competitive
24 and self-sustaining supply of electricity generated from renewable
25 sources.

26 (c) The program objective shall be to increase, in the near term,
27 the quantity of California's electricity generated by eligible
28 renewable energy resources, while protecting system reliability,
29 fostering resource diversity, and obtaining the greatest
30 environmental benefits for California residents.

31 (d) An additional objective of the program shall be to identify
32 and support emerging renewable technologies in distributed
33 generation applications that have the greatest near-term commercial
34 promise and that merit targeted assistance.

35 (e) The Legislature recommends allocations among all of the
36 following:

37 (1) Rebates, buydowns, or equivalent incentives for emerging
38 renewable technologies.

39 (2) Customer education.

1 (3) Production incentives for reducing fuel costs, that are
2 confirmed to the satisfaction of the commission, at solid fuel
3 biomass energy facilities in order to provide demonstrable
4 environmental and public benefits, including improved air quality.

5 (4) Solar thermal generating resources that enhance the
6 environmental value or reliability of the electrical system and that
7 require financial assistance to remain economically viable, as
8 determined by the commission. The commission may require
9 financial disclosure from applicants for purposes of this paragraph.

10 (5) Specified fuel cell technologies, if the commission makes
11 all of the following findings:

12 (A) The specified technologies have similar or better air
13 pollutant characteristics than renewable technologies in the report
14 made pursuant to Section 25748.

15 (B) The specified technologies require financial assistance to
16 become commercially viable by reference to wholesale generation
17 prices.

18 (C) The specified technologies could contribute significantly
19 to the infrastructure development or other innovation required to
20 meet the long-term objective of a self-sustaining, competitive
21 supply of electricity generated from renewable sources.

22 (6) Existing wind-generating resources, if the commission finds
23 that the existing wind-generating resources are a cost-effective
24 source of reliable energy and environmental benefits compared
25 with other eligible renewable energy resources, and that the existing
26 wind-generating resources require financial assistance to remain
27 economically viable. The commission may require financial
28 disclosure from applicants for the purposes of this paragraph.

29 (f) Notwithstanding any other provision of law, moneys
30 collected for renewable energy pursuant to Article 15 (commencing
31 with Section 399) of Chapter 2.3 of Part 1 of Division 1 of the
32 Public Utilities Code shall be transferred to the Renewable
33 Resource Trust Fund. Moneys collected between January 1, 2007,
34 and January 1, 2012, shall be used for the purposes specified in
35 this chapter.

36 SEC. 5. Section 25741 of the Public Resources Code is
37 amended to read:

38 25741. As used in this chapter, the following terms have the
39 following meaning:

1 (a) “Eligible renewable energy resource” means an eligible
2 renewable energy resource as defined in Section 399.12 of the
3 Public Utilities Code.

4 (b) “Existing” in reference to an eligible renewable energy
5 resource means a facility that had obtained any necessary permits
6 to operate and was able to generate electricity prior to January 1,
7 2005.

8 (c) “New” in reference to an eligible renewable energy resource
9 means a facility that either had not obtained all of the necessary
10 permits to operate or was not able to generate electricity prior to
11 January 1, 2005.

12 (d) “Renewable energy public goods charge” means that portion
13 of the nonbypassable system benefits charge authorized to be
14 collected and to be transferred to the Renewable Resource Trust
15 Fund pursuant to the Reliable Electric Service Investments Act
16 (Article 15 (commencing with Section 399) of Chapter 2.3 of Part
17 1 of Division 1 of the Public Utilities Code).

18 (e) “Retail seller” means a “retail seller” as defined in Section
19 399.12 of the Public Utilities Code.

20 SEC. 6. Section 25742 of the Public Resources Code is
21 amended to read:

22 25742. (a) Twenty percent of the funds collected pursuant to
23 the renewable energy public goods charge shall be used for
24 programs that are designed to achieve fully competitive and
25 self-sustaining existing eligible renewable energy resources, and
26 to secure for the state the environmental, economic, and reliability
27 benefits that continued operation of those facilities will provide
28 during the 2007–2011 investment cycle. Eligibility for production
29 incentives under this section shall be limited to those technologies
30 found eligible for funds by the commission pursuant to paragraphs
31 (3), (4), and (6) of subdivision (e) of Section 25740.5.

32 (b) Any funds used to support eligible renewable energy
33 resources pursuant to this section shall be expended in accordance
34 with the provisions of this chapter.

35 (c) Facilities that are eligible to receive funding pursuant to this
36 section shall be registered in accordance with criteria developed
37 by the commission and those facilities shall not receive payments
38 for any electricity produced that has any of the following
39 characteristics:

1 (1) Is sold at monthly average rates equal to, or greater than,
2 the applicable target price, as determined by the commission.

3 (2) Is used onsite.

4 (d) (1) Existing facilities generating electricity from biomass
5 energy shall be eligible for funding and otherwise considered an
6 eligible renewable energy resource only if they report to the
7 commission the types and quantities of biomass fuels used.

8 (2) The commission shall report the types and quantities of
9 biomass fuels used by each facility to the Legislature in the reports
10 prepared pursuant to Section 25748.

11 (e) Each existing facility seeking an award pursuant to this
12 section shall be evaluated by the commission to determine the
13 amount of the funds being sought, the cumulative amount of funds
14 the facility has received previously from the commission and other
15 state sources, the value of any past and current federal or state tax
16 credits, the facility's contract price for energy and capacity, the
17 prices received by similar facilities, the market value of the facility,
18 and the likelihood that the award will make the facility competitive
19 and self-sustaining within the 2007–2011 investment cycle. The
20 commission shall use this evaluation to determine the value of an
21 award to the public relative to other renewable energy investment
22 alternatives. The commission shall compile its findings and report
23 them to the Legislature in the reports prepared pursuant to Section
24 25748.

25 SEC. 7. Section 387 of the Public Utilities Code is amended
26 to read:

27 387. (a) Each governing body of a local publicly owned electric
28 utility shall be responsible for implementing and enforcing a
29 renewables portfolio standard that accomplishes all of the
30 following:

31 (1) Procures at least 20 percent of the electricity delivered to
32 its retail customers from eligible renewable energy resources, as
33 defined in Section 952, by December 31, 2010.

34 (2) Procures at least 25 percent of the electricity delivered to
35 its retail customers from eligible renewable energy resources, as
36 defined in Section 952, by December 31, 2015.

37 (3) Procures at least 33 percent of the electricity delivered to
38 its retail customers from eligible renewable energy resources, as
39 defined in Section 952, by December 31, 2020.

(b) Each local publicly owned electric utility shall report, on an annual basis, to its customers and to the State Energy Resources Conservation and Development Commission, all of the following:

(1) Expenditures of public goods funds collected pursuant to Section 385 for eligible renewable energy resource development. Reports shall contain a description of programs, expenditures, and expected or actual results.

(2) The resource mix used to serve its customers by fuel type. Reports shall contain the contribution of each type of renewable energy resource with separate categories for those fuels that are eligible renewable energy resources as defined in Section 399.12, except that the electricity is delivered to the local publicly owned electric utility and not a retail seller. Electricity shall be reported as having been delivered to the local publicly owned electric utility from an eligible renewable energy resource when the electricity would qualify for compliance with the renewables portfolio standard if it were delivered to a retail seller.

(3) The utility's status in implementing a renewables portfolio standard pursuant to subdivision (a) and the utility's progress toward attaining the standard following implementation.

(c) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 8. Section 399.23 is added to the Public Utilities Code, to read:

399.23. This article shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 9. Section 454.5 of the Public Utilities Code is amended to read:

454.5. (a) The commission shall specify the allocation of electricity, including quantity, characteristics, and duration of electricity delivery, that the Department of Water Resources shall provide under its power purchase agreements to the customers of each electrical corporation, which shall be reflected in the electrical corporation's proposed procurement plan. Each electrical corporation shall file a proposed procurement plan with the commission not later than 60 days after the commission specifies the allocation of electricity. The proposed procurement plan shall

1 specify the date that the electrical corporation intends to resume
2 procurement of electricity for its retail customers, consistent with
3 its obligation to serve. After the commission's adoption of a
4 procurement plan, the commission shall allow not less than 60
5 days before the electrical corporation resumes procurement
6 pursuant to this section.

7 (b) An electrical corporation's proposed procurement plan shall
8 include, but not be limited to, all of the following:

9 (1) An assessment of the price risk associated with the electrical
10 corporation's portfolio, including any utility-retained generation,
11 existing power purchase and exchange contracts, and proposed
12 contracts or purchases under which an electrical corporation will
13 procure electricity, electricity demand reductions, and
14 electricity-related products and the remaining open position to be
15 served by spot market transactions.

16 (2) A definition of each electricity product, electricity-related
17 product, and procurement related financial product, including
18 support and justification for the product type and amount to be
19 procured under the plan.

20 (3) The duration of the plan.

21 (4) The duration, timing, and range of quantities of each product
22 to be procured.

23 (5) A competitive procurement process under which the
24 electrical corporation may request bids for procurement-related
25 services, including the format and criteria of that procurement
26 process.

27 (6) An incentive mechanism, if any incentive mechanism is
28 proposed, including the type of transactions to be covered by that
29 mechanism, their respective procurement benchmarks, and other
30 parameters needed to determine the sharing of risks and benefits.

31 (7) The upfront standards and criteria by which the acceptability
32 and eligibility for rate recovery of a proposed procurement
33 transaction will be known by the electrical corporation prior to
34 execution of the transaction. This shall include an expedited
35 approval process for the commission's review of proposed contracts
36 and subsequent approval or rejection thereof. The electrical
37 corporation shall propose alternative procurement choices in the
38 event a contract is rejected.

39 (8) Procedures for updating the procurement plan.

1 (9) A showing that the procurement plan will achieve the
2 following:

3 (A) The electrical corporation will, in order to fulfill its unmet
4 resource needs, procure resources from eligible renewable energy
5 resources in an amount sufficient to meet its procurement
6 requirements and goals pursuant to the renewables portfolio
7 standard.

8 (B) The electrical corporation will create or maintain a
9 diversified procurement portfolio consisting of both short-term
10 and long-term electricity and electricity-related and demand
11 reduction products.

12 (C) The electrical corporation will first meet its unmet resource
13 needs through all available energy efficiency and demand reduction
14 resources that are cost effective, reliable, and feasible.

15 (10) The electrical corporation's risk management policy,
16 strategy, and practices, including specific measures of price
17 stability.

18 (11) A plan to achieve appropriate increases in diversity of
19 ownership and diversity of fuel supply of nonutility electrical
20 generation.

21 (12) A mechanism for recovery of reasonable administrative
22 costs related to procurement in the generation component of rates.

23 (c) The commission shall review and accept, modify, or reject
24 each electrical corporation's procurement plan. The commission's
25 review shall consider each electrical corporation's individual
26 procurement situation, and shall give strong consideration to that
27 situation in determining which one or more of the features set forth
28 in this subdivision shall apply to that electrical corporation. A
29 procurement plan approved by the commission shall contain one
30 or more of the following features, provided that the commission
31 may not approve a feature or mechanism for an electrical
32 corporation if it finds that the feature or mechanism would impair
33 the restoration of an electrical corporation's creditworthiness or
34 would lead to a deterioration of an electrical corporation's
35 creditworthiness:

36 (1) A competitive procurement process under which the
37 electrical corporation may request bids for procurement-related
38 services. The commission shall specify the format of that
39 procurement process, as well as criteria to ensure that the auction
40 process is open and adequately subscribed. Any purchases made

1 in compliance with the commission-authorized process shall be
2 recovered in the generation component of rates.

3 (2) An incentive mechanism that establishes a procurement
4 benchmark or benchmarks and authorizes the electrical corporation
5 to procure from the market, subject to comparing the electrical
6 corporation's performance to the commission-authorized
7 benchmark or benchmarks. The incentive mechanism shall be
8 clear, achievable, and contain quantifiable objectives and standards.
9 The incentive mechanism shall contain balanced risk and reward
10 incentives that limit the risk and reward of an electrical corporation.

11 (3) Upfront achievable standards and criteria by which the
12 acceptability and eligibility for rate recovery of a proposed
13 procurement transaction will be known by the electrical corporation
14 prior to the execution of the bilateral contract for the transaction.
15 The commission shall provide for expedited review and either
16 approve or reject the individual contracts submitted by the electrical
17 corporation to ensure compliance with its procurement plan. To
18 the extent the commission rejects a proposed contract pursuant to
19 this criteria, the commission shall designate alternative procurement
20 choices obtained in the procurement plan that will be recoverable
21 for ratemaking purposes.

22 (d) A procurement plan approved by the commission shall
23 accomplish each of the following objectives:

24 (1) Enable the electrical corporation to fulfill its obligation to
25 serve its customers at just and reasonable rates.

26 (2) Eliminate the need for after-the-fact reasonableness reviews
27 of an electrical corporation's actions in compliance with an
28 approved procurement plan, including resulting electricity
29 procurement contracts, practices, and related expenses. However,
30 the commission may establish a regulatory process to verify and
31 assure that each contract was administered in accordance with the
32 terms of the contract, and contract disputes which may arise are
33 reasonably resolved.

34 (3) Ensure timely recovery of prospective procurement costs
35 incurred pursuant to an approved procurement plan. The
36 commission shall establish rates based on forecasts of procurement
37 costs adopted by the commission, actual procurement costs
38 incurred, or combination thereof, as determined by the commission.
39 The commission shall establish power procurement balancing
40 accounts to track the differences between recorded revenues and

1 costs incurred pursuant to an approved procurement plan. The
2 commission shall review the power procurement balancing
3 accounts, not less than semiannually, and shall adjust rates or order
4 refunds, as necessary, to promptly amortize a balancing account,
5 according to a schedule determined by the commission. Until
6 January 1, 2006, the commission shall ensure that any
7 overcollection or undercollection in the power procurement
8 balancing account does not exceed 5 percent of the electrical
9 corporation's actual recorded generation revenues for the prior
10 calendar year excluding revenues collected for the Department of
11 Water Resources. The commission shall determine the schedule
12 for amortizing the overcollection or undercollection in the
13 balancing account to ensure that the 5 percent threshold is not
14 exceeded. After January 1, 2006, this adjustment shall occur when
15 deemed appropriate by the commission consistent with the
16 objectives of this section.

17 (4) Moderate the price risk associated with serving its retail
18 customers, including the price risk embedded in its long-term
19 supply contracts, by authorizing an electrical corporation to enter
20 into financial and other electricity-related product contracts.

21 (5) Provide for just and reasonable rates, with an appropriate
22 balancing of price stability and price level in the electrical
23 corporation's procurement plan.

24 (e) The commission shall provide for the periodic review and
25 prospective modification of an electrical corporation's procurement
26 plan.

27 (f) The commission may engage an independent consultant or
28 advisory service to evaluate risk management and strategy. The
29 reasonable costs of any consultant or advisory service is a
30 reimbursable expense and eligible for funding pursuant to Section
31 631.

32 (g) The commission shall adopt appropriate procedures to ensure
33 the confidentiality of any market sensitive information submitted
34 in an electrical corporation's proposed procurement plan or
35 resulting from or related to its approved procurement plan,
36 including, but not limited to, proposed or executed power purchase
37 agreements, data request responses, or consultant reports, or any
38 combination, provided that the Division of Ratepayer Advocates
39 and other consumer groups that are nonmarket participants shall

1 be provided access to this information under confidentiality
2 procedures authorized by the commission.

3 (h) Nothing in this section alters, modifies, or amends the
4 commission's oversight of affiliate transactions under its rules and
5 decisions or the commission's existing authority to investigate and
6 penalize an electrical corporation's alleged fraudulent activities,
7 or to disallow costs incurred as a result of gross incompetence,
8 fraud, abuse, or similar grounds. Nothing in this section expands,
9 modifies, or limits the State Energy Resources Conservation and
10 Development Commission's existing authority and responsibilities
11 as set forth in Sections 25216, 25216.5, and 25323 of the Public
12 Resources Code.

13 (i) An electrical corporation that serves less than 500,000 electric
14 retail customers within the state may file with the commission a
15 request for exemption from this section, which the commission
16 shall grant upon a showing of good cause.

17 (j) (1) Prior to its approval pursuant to Section 851 of any
18 divestiture of generation assets owned by an electrical corporation
19 on or after September 24, 2002, the commission shall determine
20 the impact of the proposed divestiture on the electrical
21 corporation's procurement rates and shall approve a divestiture
22 only to the extent it finds, taking into account the effect of the
23 divestiture on procurement rates, that the divestiture is in the public
24 interest and will result in net ratepayer benefits.

25 (2) Any electrical corporation's procurement necessitated as a
26 result of the divestiture of generation assets on or after September
27 24, 2002, shall be subject to the mechanisms and procedures set
28 forth in this section only if its actual cost is less than the recent
29 historical cost of the divested generation assets.

30 (3) Notwithstanding paragraph (2), the commission may deem
31 proposed procurement eligible to use the procedures in this section
32 upon its approval of asset divestiture pursuant to Section 851.

33 SEC. 10. Chapter 4.5 (commencing with Section 950) is added
34 to Part 1 of Division 1 of the Public Utilities Code, to read:

1 CHAPTER 4.5. CALIFORNIA RENEWABLES PORTFOLIO STANDARD
2 PROGRAM
3

4 Article 1. General Provisions and Definitions
5

6 950. The Legislature finds and declares all of the following:

7 (a) California has plentiful and robust natural resources that it
8 has yet to utilize and from which it can derive a sustainable way
9 of life. At the same time, California faces challenges unlike those
10 that it has ever faced. At present, pollution in California's cities
11 threatens human health and despoils the natural beauty of the state.
12 Recent environmental trends portend a future of dramatic change
13 to the state's landscape, with effects on the state's species, habitats,
14 and population centers that are not yet fully understood.

15 (b) The California Renewables Portfolio Standard Program is
16 established to address those challenges and, with the instruments
17 of policy set forth in this chapter, seeks to accomplish the following
18 statewide policy objectives:

19 (1) Reducing emissions of greenhouse gases and California's
20 contribution to global warming.

21 (2) Reducing in-state consumption of nonrenewable fuels in
22 order to improve the public health and air quality throughout the
23 state.

24 (3) Stimulating sustainable economic development, encouraging
25 innovation in energy technologies, and creating new employment
26 opportunities.

27 (4) Decreasing California's reliance on imported sources of
28 energy.

29 (5) Increasing fuel diversity and promoting greater stability and
30 predictability in electricity prices for consumers.

31 (c) In order to achieve the ambitious targets set forth in this
32 chapter, it will be necessary to facilitate investments in California's
33 electrical transmission infrastructure to ensure system reliability,
34 relieve transmission congestion, and meet future growth in load
35 with eligible renewable energy resources.

36 (d) California must meet its renewable energy goals while
37 simultaneously ensuring that no interruptions in electrical service
38 occur because of intermittent renewable energy procurement and
39 that future growth in load can be met by procuring renewables
40 long after the goals of this renewables portfolio standard are met.

(e) It is the policy of this state and the intent of the Legislature that the California Renewables Portfolio Standard Program not adversely impact the ability of an electrical corporation to pursue other measures recognized by the State Air Resources Board as necessary to achieve the greenhouse gases emissions reduction targets established by the California Global Warming Solutions Act of 2006.

952. For purposes of this chapter, the following terms have the following meanings:

(a) “Conduit hydroelectric facility” means a facility for the generation of electricity that uses only the hydroelectric potential of an existing pipe, ditch, flume, siphon, tunnel, canal, or other manmade conduit that is operated to distribute water for a beneficial use *and that meets the eligibility requirements of Section 953 and subdivision (c) of Section 954.*

(b) “Delivered” and “delivery,” in reference to the electricity generated by an eligible renewable energy resource, mean that the electricity is used to serve end-use retail customers located within the state or is simultaneously scheduled to meet anticipated in-state load.

(c) “Eligible renewable energy resource” means an electric generating facility that uses biomass, solar energy, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, *municipal solid waste conversion*, landfill gas, ocean wave, ocean thermal, or tidal current, and any additions or enhancements to the facility using that technology, and that meets the general eligibility requirements of Section 953 and, when applicable, the requirements for specific renewable energy sources of Section 954.

~~(d) “Nondeliverable renewable energy resource” means an electric generating facility that uses biomass, solar energy, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, landfill gas, ocean wave, ocean thermal, or tidal current, and any additions or enhancements to the facility using that technology, and that meets the eligibility requirements of paragraphs (1), (3), (4), (5), and (6) of, but does not meet the deliverability requirement of paragraph (2) of, subdivision (b) of Section 953 and, when applicable, meets the requirements for specific renewable energy sources of Section 954.~~

(e)

(d) “Procure” means that a retail seller receives delivered electricity generated by an eligible renewable energy resource that it owns or for which it has entered into an electricity purchase agreement. Nothing in this chapter is intended to imply that the purchase of electricity from third parties in a wholesale transaction is the preferred method of fulfilling a retail seller’s obligation to comply with this chapter.

(f)

(e) (1) “Renewable energy credit” means a certificate of proof, issued through the accounting system established by the Energy Commission pursuant to Section 975, that either one unit of electricity was generated and delivered by an eligible renewable energy resource or, subject to the limits established in Section 980, one unit of electricity was generated by a nondeliverable renewable energy resource.

(2) “Renewable energy credit” includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource or nondeliverable renewable energy resource, except for an emissions reduction credit issued pursuant to Section 40709 of the Health and Safety Code and any credits or payments associated with the reduction of solid waste and treatment benefits created by the utilization of biomass or biogas fuels.

(g)

(f) “Renewable generator” means the owner or operator of an eligible renewable energy resource with the authority to contract for the electricity generated by the facility.

(h)

(g) “Renewables portfolio standard” means the specified percentage of electricity generated by eligible renewable energy resources that a retail seller or local publicly owned electric utility is required to procure pursuant to this chapter.

(i)

(h) (1) “Retail seller” means an entity engaged in the retail sale of electricity to end-use customers located within the state, including any of the following:

(A) An electrical corporation.

(B) A community choice aggregator. The commission shall institute a rulemaking to determine the manner in which a

1 community choice aggregator will participate in the renewables
2 portfolio standard program subject to the same terms and conditions
3 applicable to an electrical corporation.

4 (C) An electric service provider, as defined in Section 218.3.
5 The commission shall determine the manner in which electric
6 service providers will participate in the renewables portfolio
7 standard program. The electric service provider shall be subject
8 to the same terms and conditions applicable to an electrical
9 corporation pursuant to this chapter. Nothing in this paragraph
10 shall impair a contract entered into between an electric service
11 provider and a retail customer prior to the suspension of direct
12 access by the commission pursuant to Section 80110 of the Water
13 Code.

14 (2) “Retail seller” does not include any of the following:

15 (A) A corporation or person employing cogeneration technology
16 or producing electricity consistent with subdivision (b) of Section
17 218.

18 (B) The Department of Water Resources acting in its capacity
19 pursuant to Division 27 (commencing with Section 80000) of the
20 Water Code.

21 (C) A local publicly owned electric utility.

22 (j)

23 (i) “WECC” means the Western Electricity Coordinating
24 Council of the North American Electric Reliability ~~Council~~
25 ~~Corporation~~, or a successor entity to either ~~council corporation~~.

26 953. To be eligible for meeting the renewables portfolio
27 standard, an eligible renewable energy resource shall satisfy one
28 of the following requirements:

29 (a) The facility is located in the state, or near the border of the
30 state with its first point of connection to the transmission network
31 within this state, and electricity produced by the facility is delivered
32 to an in-state location.

33 (b) The facility has its first point of interconnection to the
34 transmission network outside the state and satisfies all of the
35 following requirements:

36 (1) It is connected to the transmission network within the WECC
37 service territory.

38 (2) Electricity produced by the facility is delivered to an in-state
39 location.

1 (3) It will not cause or contribute to any violation of a California
2 environmental quality standard or requirement.

3 (4) If the facility is outside of the United States, it is developed
4 and operated in a manner that is as protective of the environment
5 as a similar facility located in the state.

6 (5) It participates in the accounting system to verify compliance
7 with the renewables portfolio standard by retail sellers, once
8 established by the Energy Commission pursuant to subdivision
9 (a) of Section 975.

10 (6) It commences initial commercial operation after January 1,
11 2005.

12 (c) The facility meets the requirements of paragraphs (1), (2),
13 (3), (4), and (5) in subdivision (b), but does not meet the
14 requirements of paragraph (6) because it commences initial
15 operation prior to January 1, 2005, if the facility satisfies either of
16 the following requirements:

17 (1) The electricity is from incremental generation resulting from
18 expansion or repowering of the facility.

19 (2) The facility has been part of the existing baseline of eligible
20 renewable energy resources of the retail seller or local publicly
21 owned electric utility.

22 954. (a) (1) Except as provided in paragraph (2), a
23 hydroelectric generation facility that is larger than 30 megawatts
24 is not an eligible renewable energy resource.

25 (2) The incremental increase in the amount of electricity
26 generated from a hydroelectric generation facility as a result of
27 efficiency improvements at the facility, is electricity from an
28 eligible renewable energy resource, without regard to the electrical
29 output of the facility, if all of the following conditions are met:

30 (A) The incremental increase is the result of efficiency
31 improvements from a retrofit that do not result in an adverse impact
32 on instream beneficial uses or cause a change in the volume or
33 timing of streamflow.

34 (B) The hydroelectric generation facility has, within the
35 immediately preceding 15 years, received certification from the
36 State Water Resources Control Board pursuant to Section 401 of
37 the Clean Water Act (33 U.S.C. Sec. 1341), or has received
38 certification from a regional board to which the state board has
39 delegated authority to issue certification, unless the facility is

1 exempt from certification because there is no potential for discharge
2 into waters of the United States.

3 (C) The hydroelectric generation facility was operational prior
4 to January 1, 2007, the efficiency improvements are initiated on
5 or after January 1, 2008, the efficiency improvements are not the
6 result of routine maintenance activities, as determined by the
7 Energy Commission, and the efficiency improvements were not
8 included in any resource plan sponsored by the facility owner prior
9 to January 1, 2008.

10 (D) All of the incremental increase in electricity resulting from
11 the efficiency improvements are demonstrated to result from a
12 long-term financial commitment by the retail seller or local publicly
13 owned electric utility. For purposes of this paragraph, “long-term
14 financial commitment” means either new ownership investment
15 in the facility by the retail seller or local publicly owned electric
16 utility, or a new or renewed contract with a term of 10 or more
17 years, which includes procurement of the incremental generation.

18 (b) (1) Except for a conduit hydroelectric generation facility
19 operating pursuant to subdivision (c), a hydroelectric generation
20 facility of 30 megawatts or less that was in operation prior to
21 January 1, 2006, shall be eligible only if a retail seller or local
22 publicly owned electric utility procured the electricity from the
23 facility as of December 31, 2005.

24 (2) A hydroelectric generation facility of 30 megawatts or less
25 that becomes operational on or after January 1, 2006, is not eligible
26 if it will cause an adverse impact on instream beneficial uses or
27 cause a change in the volume or timing of streamflow.

28 (3) A small hydroelectric generation facility that satisfies the
29 criteria for an eligible renewable energy resource pursuant to this
30 subdivision shall not lose its eligibility if efficiency improvements
31 undertaken after January 1, 2008, cause the generating capacity
32 of the facility to exceed 30 megawatts, and the efficiency
33 improvements do not result in an adverse impact on instream
34 beneficial uses or cause a change in the volume or timing of
35 streamflow. The entire generating capacity of the facility shall be
36 eligible.

37 (c) (1) A conduit hydroelectric facility of 30 megawatts or less
38 that commenced operation before January 1, 2006, is an eligible
39 renewable energy resource.

1 (2) A conduit hydroelectric generation facility of 30 megawatts
2 or less that becomes operational on or after January 1, 2006, is an
3 eligible renewable energy resource unless it will cause an adverse
4 impact on instream beneficial uses or cause a change in the volume
5 or timing of streamflow.

6 (d) A facility engaged in the ~~combustion~~ *conversion* of
7 municipal solid waste using a noncombustion thermal process to
8 convert solid waste to a clean-burning fuel for the purpose of
9 generating electricity is an eligible renewable energy resource if
10 either it is located in Stanislaus County and was operational prior
11 to September 26, 1996, or it meets all of the following conditions:

12 (1) The technology does not use air or oxygen in the conversion
13 process, except ambient air to maintain temperature control.

14 (2) The technology produces no discharges of air contaminants
15 or emissions, including greenhouse gases as defined in Section
16 42801.1 of the Health and Safety Code.

17 (3) The technology produces no discharges to surface or
18 groundwaters of the state.

19 (4) The technology produces no hazardous wastes.

20 (5) The technology removes all recyclable materials and
21 marketable green waste compostable materials from the solid waste
22 stream prior to the conversion process, to the maximum extent
23 feasible, and the owner or operator of the facility certifies that
24 those materials will be recycled or composted.

25 (6) The facility is in compliance with all applicable laws,
26 regulations, and ordinances.

27 (7) The technology meets any other conditions established by
28 the commission.

29 (8) The facility certifies that any local agency sending solid
30 waste to the facility diverted at least 30 percent of all solid waste
31 it collects through solid waste reduction, recycling, and
32 composting. For purposes of this paragraph, "local agency" means
33 any city, county, or special district, or subdivision thereof, which
34 is authorized to provide solid waste handling services.

35 955. This chapter shall become operative on January 1, 2011.

Article 2. Implementation of the Renewables Portfolio Standard
for Retail Sellers

960. In order to fulfill unmet long-term resource needs, the commission shall establish a renewables portfolio standard requiring each retail seller to increase its procurement of eligible renewable energy resources to accomplish all of the following:

(a) Procure at least 20 percent of the electricity delivered to its retail customers from eligible renewable energy resources.

(b) Procure at least 25 percent of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2015.

(c) Procure at least 33 percent of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2020.

962. (a) The commission shall direct each electrical corporation to prepare a renewable energy procurement plan to satisfy its procurement requirements under the renewables portfolio standard. The renewable energy procurement plan shall, to the extent feasible, be proposed, reviewed, and adopted by the commission as part of, and pursuant to, a general procurement plan process pursuant to Section 454.5. The commission shall require each electrical corporation to review and update its renewable energy procurement plan as it determines to be necessary.

(b) (1) The renewable energy procurement plan shall include a process that provides criteria for the rank ordering and selection of eligible renewable energy resources to comply with the renewables portfolio standard procurement requirement so that each electrical corporation's total renewables portfolio benefits ratepayers. This process shall consider estimates of indirect costs associated with needed transmission investments and ongoing utility expenses resulting from integrating and operating eligible renewable energy resources. This process shall also consider the viability of the eligible renewable energy resource, including the developer's experience, the feasibility of the technology used to generate electricity, and the risk that the facility will not be built, or construction will be delayed, with the result that electricity will not be delivered as required by the contract.

(2) The renewable energy procurement plan submitted by an electrical corporation shall include all of the following:

1 (A) An assessment of annual or multiyear portfolio supplies
2 and demand to determine the optimal mix of eligible renewable
3 energy resources with deliverability characteristics that may include
4 peaking, dispatchable, baseload, firm, and as-available capacity.

5 (B) Provisions for employing available compliance flexibility
6 mechanisms established by the commission.

7 (C) A bid solicitation setting forth the need for eligible
8 renewable energy resources of each deliverability characteristic,
9 required online dates, and locational preferences, if any.

10 (D) An analysis of the risk that the eligible renewable energy
11 resource will not be built, or that construction will be delayed,
12 with the result that electricity will not be delivered as required by
13 the contract.

14 (c) As part of its procurement plan bid solicitation, each
15 electrical corporation shall offer standard terms and conditions to
16 be used in contracting with renewable generators for eligible
17 renewable energy resources, including performance requirements
18 for renewable generators. A contract for the purchase of electricity
19 generated by an eligible renewable energy resource shall, at a
20 minimum, include the renewable energy credits associated with
21 all electricity generation specified under the contract. The standard
22 terms and conditions of the contract shall include the requirement
23 that, no later than six months after the commission's approval of
24 an electricity purchase agreement entered into pursuant to this
25 chapter, the following information about the agreement shall be
26 disclosed by the commission: the names of the contracting parties,
27 the renewable energy resource type, the project location, and the
28 generating capacity of the project.

29 (d) (1) In soliciting and procuring eligible renewable energy
30 resources, each electrical corporation shall offer contracts of no
31 less than 10 years' duration, unless the commission approves of a
32 contract of shorter duration.

33 (2) The commission may authorize a retail seller to enter into
34 a contract of less than 10 years' duration with a renewable
35 generator for the electricity generated by an eligible renewable
36 energy resource, if the commission has established, for each retail
37 seller, minimum quantities of eligible renewable energy resources
38 to be procured either through contracts of at least 10 years' duration
39 or from new facilities commencing commercial operations on or
40 after January 1, 2005.

1 (e) The commission shall review and accept, modify, or reject
2 each electrical corporation's renewable energy procurement plan
3 prior to the commencement of renewable procurement pursuant
4 to this chapter by an electrical corporation.

5 (f) The commission shall review the results of a solicitation for
6 eligible renewable energy resources submitted for approval by an
7 electrical corporation and accept or reject proposed contracts with
8 the renewable generator based on consistency with the approved
9 renewable energy procurement plan. If the commission determines
10 that the bid prices are elevated due to a lack of effective
11 competition among the bidders, the commission shall direct the
12 electrical corporation to renegotiate the contracts or conduct a new
13 solicitation.

14 (g) (1) The commission shall provide preference to contracts
15 for renewable energy resources that are from a California supplier.

16 (2) For purposes of this paragraph, "California supplier" means
17 any sole proprietorship, partnership, joint venture, corporation, or
18 other business entity that manufactures eligible renewable energy
19 resources in California that are supplied to the renewable generator
20 and that meets either of the following criteria:

21 (A) The owners or policymaking officers are domiciled in
22 California and the permanent principal office, or place of business
23 from which the supplier's trade is directed or managed, is located
24 in California.

25 (B) A business or corporation, including those owned by, or
26 under common control of, a corporation, that meets all of the
27 following criteria continuously during the five years prior to
28 providing eligible renewable energy resources to a renewable
29 generator:

30 (i) Owns and operates a manufacturing facility located in
31 California that builds or manufactures eligible renewable energy
32 resources.

33 (ii) Is licensed by the state to conduct business within the state.

34 (iii) Employs California residents for work within the state.

35 (3) For purposes of qualifying as a California supplier, a
36 distribution or sales management office or facility does not qualify
37 as a manufacturing facility.

38 (h) Procurement and administrative costs associated with
39 long-term contracts entered into by an electrical corporation for
40 eligible renewable energy resources pursuant to this chapter and

1 approved by the commission shall be deemed reasonable per se
2 by the commission, and shall be recoverable in rates.

3 (i) (1) If an electrical corporation fails to comply with a
4 commission order adopting a renewable energy procurement plan,
5 the commission shall exercise its authority pursuant to Section
6 2113 to require compliance. The commission shall enforce
7 comparable penalties on any retail seller that is not an electrical
8 corporation that fails to meet renewables procurement requirements
9 pursuant to Section 960.

10 (2) Notwithstanding paragraph (1), if the commission determines
11 that a retail seller has made a commercially reasonable effort to
12 procure eligible renewable energy resources in an amount sufficient
13 to meet its renewables portfolio standard procurement
14 requirements, the commission may waive penalties for the retail
15 seller's failure to procure at least 20 percent of the electricity
16 delivered to its retail customers from eligible renewable energy
17 resources by December 31, 2010.

18 963. (a) (1) The commission shall, by January 1, 2011, and
19 annually thereafter, establish and adopt a benchmark price for
20 electricity generated by an eligible renewable energy resource, for
21 terms corresponding to the length of contracts with renewable
22 generators, in consideration of the following:

23 (A) The long-term market price of electricity for all fixed-price
24 contracts determined pursuant to an electrical corporation's general
25 procurement activities as authorized by the commission.

26 (B) The value of different deliverability characteristics for
27 electricity, including baseload, peaking, dispatchable, firm, and
28 as-available electricity.

29 (C) The value of the carbon reductions from the eligible
30 renewable energy resources and the value of any other emissions
31 reductions that are not already accounted for pursuant to Section
32 40709 of the Health and Safety Code.

33 (2) The benchmark price shall not include any indirect expenses,
34 including imbalance energy charges, sale of excess energy,
35 decreased generation from existing resources, or transmission
36 upgrades.

37 (b) The commission shall, by January 1, 2011, for each electrical
38 corporation, establish a limitation on the total costs expended above
39 the benchmark prices determined in subdivision (a) for the
40 procurement of eligible renewable energy resources to achieve the

1 annual procurement targets established pursuant to this article.
2 The cost limitation shall not exceed ~~_____~~ 5 percent of the electrical
3 corporation's revenue requirement.

4 (c) If the cost limitation established by the commission for an
5 electrical corporation pursuant to subdivision (b) is insufficient to
6 support the total costs expended above the benchmark prices
7 determined pursuant to subdivision (a) for the procurement of
8 eligible renewable energy resources, the commission shall allow
9 the electrical corporation ~~and other retail sellers to limit their to~~
10 *limit its* procurement to the quantity of eligible renewable energy
11 resources that can be procured at or below the benchmark prices.

12 (d) An electrical corporation may voluntarily propose to procure
13 eligible renewable energy resources at above the benchmark price
14 that are not counted toward the cost limitation. Any voluntary
15 procurement above the benchmark price shall be subject to
16 commission approval prior to the expense being recovered in rates.

17 964. (a) The commission may authorize a procurement entity
18 to enter into contracts on behalf of customers of a retail seller for
19 electricity generated by eligible renewable energy resources to
20 meet the retail seller's renewables portfolio standard procurement
21 requirements. The commission may not require any person or
22 corporation to act as a procurement entity or require any party to
23 purchase electricity generated by eligible renewable energy
24 resources from a procurement entity.

25 (b) The procurement entity shall, subject to review and approval
26 by the commission, recover reasonable administrative and
27 procurement costs through the retail rates of end-use customers
28 that are served by the procurement entity and are directly benefiting
29 from the procurement of electricity generated by eligible renewable
30 energy resources.

31 965. Construction, alteration, demolition, installation, and
32 repair work on an eligible renewable energy resource that receives
33 production incentives pursuant to Section 25742 of the Public
34 Resources Code, including work performed to qualify, receive, or
35 maintain production incentives is "public works" for the purposes
36 of Chapter 1 (commencing with Section 1720) of Part 7 of Division
37 2 of the Labor Code.

Article 3. Implementation of the Renewables Portfolio Standard
for Local Publicly Owned Electric Utilities

970. (a) In order to fulfill unmet long-term resource needs, each governing body of a local publicly owned electric utility shall be responsible for implementing and enforcing a renewables portfolio standard that accomplishes all of the following:

(1) Procures at least 20 percent of the electricity delivered to its retail customers from eligible renewable energy resources.

(2) Procures at least 25 percent of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2015.

(3) Procures at least 33 percent of the electricity delivered to its retail customers from eligible renewable energy resources by December 31, 2020.

(b) The governing board of the local publicly owned electric utility shall adopt a program for the enforcement of this article on or before January 1, 2011. The program shall be adopted at a publicly noticed meeting offering all interested parties an opportunity to comment. Not less than 30 days' notice shall be given to the public of any meeting held for purposes of adopting the program. Not less than 10 days' notice shall be given to the public before any meeting is held to make a substantive change to the program.

(c) A local publicly owned electric utility shall retain discretion over the manner employed by the utility to meet the renewables portfolio standard established pursuant to this section. The discretionary authority of a local publicly owned electric utility includes, but is not limited to, all of the following:

(1) The mix of eligible renewable energy resources procured or owned by the utility and those additional generation resources procured or owned by the utility for purposes of ensuring resource adequacy and reliability.

(2) The prices paid by the utility for electricity generated by eligible renewable energy resources.

(3) The reasonable costs incurred by the utility for renewable energy resources owned by the utility.

(d) (1) Each local publicly owned electric utility shall annually post notice, in accordance with Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government

1 Code, whenever its governing body will deliberate in public on its
2 renewable energy resources procurement plan.

3 (2) Contemporaneous with the posting of the notice of a public
4 meeting to consider the renewable energy resources procurement
5 plan, the local publicly owned electric utility shall notify the
6 Energy Commission of the date, time, and location of the meeting
7 in order to enable the Energy Commission to post the information
8 on its Internet Web site. This requirement is satisfied if the local
9 publicly owned electric utility provides the uniform resource
10 locator (URL) that links to this information.

11 (3) Upon distribution to its governing body of information
12 related to its renewable energy resources procurement status and
13 future plans, for its consideration at a noticed public meeting, the
14 local publicly owned electric utility shall make that information
15 available to the public and shall provide the Energy Commission
16 with an electronic copy of the documents for posting on the Energy
17 Commission's Internet Web site. This requirement is satisfied if
18 the local publicly owned electric utility provides the uniform
19 resource locator (URL) that links to the documents or information
20 regarding other manners of access to the documents.

21 (e) Within 30 business days after a local publicly owned electric
22 utility executes a renewable energy resources procurement contract,
23 the local publicly owned electric utility shall submit, to the Energy
24 Commission, documentation that includes all of the following:

25 (1) A description of the eligible renewable energy resource,
26 including the duration of the contract or electricity purchase
27 agreement.

28 (2) A description and identification of the electric generating
29 facility providing the eligible renewable energy resource under
30 the contract.

31 (3) An estimate of the percentage increase in the utility's total
32 retail sales of electricity from eligible renewable energy resources
33 that will result from the contract.

34 (f) A local publicly owned electric utility may use renewable
35 energy credits to meet its renewables portfolio standard
36 procurement requirements to the same extent and under the same
37 circumstances as a retail seller is authorized to use renewable
38 energy credits to meet the retail seller's renewables portfolio
39 standard procurement requirements.

1 (g) Each local publicly owned electric utility shall report, on an
2 annual basis, to its customers and to the Energy Commission, the
3 following:

4 (1) Expenditures of public goods funds collected pursuant to
5 Section 385 for eligible renewable energy resource development.
6 Reports shall contain a description of programs, expenditures, and
7 expected or actual results.

8 (2) The resource mix used to serve its customers by energy
9 source.

10 (3) The utility's status in implementing a renewables portfolio
11 standard pursuant to subdivision (a) and the utility's progress
12 toward attaining the standard following implementation.

13 (h) Upon a determination by the Energy Commission that a
14 local publicly owned electric utility has failed to comply with this
15 article, the State Air Resources Board may impose penalties
16 pursuant to Part 6 (commencing with Section 38580) of Division
17 25.5 of the Health and Safety Code.

18
19 Article 4. Duties of the Energy Commission in Implementing
20 the Renewables Portfolio Standard
21

22 975. (a) The Energy Commission shall do all of the following:

23 (1) Design and implement an accounting system to verify
24 compliance with the renewables portfolio standard by retail sellers
25 *and local publicly owned electric utilities*, to ensure that electricity
26 generated by an eligible renewable energy resource is counted
27 only once for the purpose of compliance with regulatory or legal
28 requirements of this state or any other state, for verifying retail
29 product claims in this state or any other state or to certify renewable
30 energy credits. In establishing the guidelines governing this
31 accounting system, the Energy Commission shall collect data from
32 electricity market participants that it deems necessary to verify
33 compliance of retail sellers, in accordance with the requirements
34 of this article and the California Public Records Act (Chapter 3.5
35 (commencing with Section 6250) of Division 7 of Title 1 of the
36 Government Code). In seeking data from electrical corporations,
37 the Energy Commission shall request data from the commission.
38 The commission shall collect data from electrical corporations and
39 remit the data to the Energy Commission within 90 days of the
40 request.

(2) Certify eligible renewable energy resources that it determines meet the criteria described in subdivision (c) of Section 952, the requirements of Section 953, and when applicable, the requirements of Section 954.

(3) Establish a system for tracking and verifying renewable energy credits that, through the use of independently audited data, verifies the generation and delivery of electricity associated with each renewable energy credit and protects against multiple counting of the same renewable energy credit. The Energy Commission shall consult with other western states and with the WECC in the development of this system. No electricity generated by an eligible renewable energy resource attributable to the use of nonrenewable fuels, beyond a de minimus quantity, as determined by the Energy Commission, shall result in the creation of a renewable energy credit.

(b) The Energy Commission may, as part of the integrated energy policy report adopted pursuant to Chapter 4 (commencing with Section 25300) of Division 15 of the Public Resources Code, recommend additional technologies and resources to be included in the definition of an eligible renewable energy resource for purposes of this chapter.

Article 5. Renewable Energy Credits

980. (a) Subject to the conditions of this article, a retail seller or local publicly owned electric utility may use renewable energy credits from eligible renewable energy resources ~~or nondeliverable renewable energy resources~~, that are certified by the Energy Commission pursuant to Article 4, to comply with the renewables portfolio standard procurement requirements.

~~(b) A retail seller or local publicly owned electric utility may meet up to 10 percent of its renewables portfolio standard procurement requirements with renewable energy credits from nondeliverable renewable energy resources that are certified by the Energy Commission pursuant to Article 4.~~

~~(c)~~

(b) No retail seller or local publicly owned electric utility shall use renewable energy credits to comply with the renewables portfolio standard procurement requirements pursuant to subdivision (a) or (b) until the commission and the Energy

Commission find that the tracking system established pursuant to paragraph (3) of subdivision (a) of Section 975, is operational, is capable of independently verifying the electricity generated by an eligible renewable energy resource, and can ensure that renewable energy credits shall not be double counted for the purposes of compliance with regulatory or legal requirements of this state or any other state, or for verifying retail product claims in this state or any other state.

~~(d)~~

(c) A renewable energy credit shall be counted only once for the purposes of compliance with regulatory or legal requirements of this state or any other state, or for verifying retail product claims in this state or any other state, except that a renewable energy credit may be used by a retail seller or local publicly owned electric utility for both compliance with any federal renewable energy portfolio requirement and for compliance with the renewables portfolio standard pursuant to this chapter.

~~(e)~~

(d) A renewable energy credit shall either be used for purposes of compliance with regulatory or legal requirements of this state or any other state, or shall expire within 18 months of the date of purchase by the retail seller or local publicly owned utility.

~~(f)~~

(e) No renewable energy credits shall be created for electricity generated pursuant to any electricity purchase contract with a retail seller or a local publicly owned electric utility executed before January 1, 2005, unless the contract contains explicit terms and conditions specifying the ownership or disposition of those credits. Deliveries under those contracts shall be tracked through the accounting system described in paragraph (3) of subdivision (a) of Section 975 and included in the baseline quantity of eligible renewable energy resources of a purchasing retail seller pursuant to Article 2, or a local publicly owned electric utility pursuant to Article 3.

~~(g)~~

(f) No renewable energy credits shall be created for electricity generated under any electricity purchase contract with a qualifying facility executed after January 1, 2005, pursuant to the federal Public Utility Regulatory Policies Act of 1978 (Public Law 95-617). Deliveries under the electricity purchase contracts shall

1 be tracked through the accounting system described in paragraph
2 (3) of subdivision (a) of Section 975 and count toward the
3 renewables portfolio standard procurement requirements of the
4 purchasing retail seller or local publicly owned electric utility.

5 (h)

6 (g) The commission shall allow an electrical corporation to
7 recover in rates the reasonable costs of purchasing renewable
8 energy credits to meet its renewables portfolio standard
9 procurement requirements.

10 (i)

11 (h) All revenues received by an electrical corporation for the
12 sale of a renewable energy credit shall be credited to the benefit
13 of ratepayers.

14
15 ~~Article 6. Small-Scale Renewable Distributed Generation~~
16 ~~Facilities~~
17

18 ~~985. The Legislature finds and declares all of the following:~~

19 ~~(a) The state should encourage the reduction of electricity~~
20 ~~demand at customer sites and increase generating capacity in order~~
21 ~~to meet the demand for electricity.~~

22 ~~(b) Some tariff structures and regulatory structures are presenting~~
23 ~~a barrier to meeting the requirements and goals of this chapter.~~

24 ~~(c) Small projects of less than five megawatts that are otherwise~~
25 ~~eligible renewable energy resources may face difficulties in~~
26 ~~participating in competitive solicitations under the California~~
27 ~~Renewables Portfolio Standard Program (Chapter 8.6 (commencing~~
28 ~~with Section 25740) of Division 15 of the Public Resources Code).~~

29 ~~(d) A tariff that allows customers of electrical corporations and~~
30 ~~local publicly owned electric utilities to sell electricity generated~~
31 ~~by renewable technologies would address these barriers and could~~
32 ~~assist in the achievement of the renewables portfolio standard and~~
33 ~~the state's goals for reducing emissions of greenhouse gases~~
34 ~~pursuant to the California Global Warming Solutions Act of 2006~~
35 ~~(Division 25.5 (commencing with Section 38500) of the Health~~
36 ~~and Safety Code).~~

37 ~~(e) A tariff for electricity generated by renewable technologies~~
38 ~~should recognize the environmental attributes of the renewable~~
39 ~~technology, the characteristics that contribute to peak electricity~~
40 ~~demand reduction, reduced transmission congestion, avoided~~

1 transmission and distribution improvements, and in a manner that
2 accelerates the deployment of renewable energy resources.

3 (f) It is the policy of this state and the intent of the Legislature
4 to encourage the distributed generation of electricity from
5 small-scale eligible renewable energy resources at the sites where
6 the electricity will be utilized.

7 986. As used in this article, “small-scale renewable distributed
8 generation facility” means an electric generation facility, owned,
9 leased, or rented by a retail customer of a retail seller or local
10 publicly owned electric utility, that meets all of the following
11 criteria:

12 (a) Has an effective capacity of not more than five megawatts
13 and is located on property owned or under the control of the
14 customer. Premises that are leased by the customer are under the
15 control of the customer for purposes of this requirement. It is not
16 required that the customer own the electric generation facility.

17 (b) Is interconnected and operates in parallel with the electric
18 transmission and distribution grid.

19 (c) Is strategically located and interconnected to the electric
20 transmission system in a manner that optimizes the deliverability
21 of electricity generated at the facility to load centers.

22 (d) Is an eligible renewable energy resource.

23 987. (a) Every electrical corporation shall file with the
24 commission a standard tariff for electricity purchased from an
25 electric generation facility.

26 (b) The tariff shall provide for a base payment rate for every
27 kilowatthour of electricity purchased from a small-scale renewable
28 distributed generation facility at the benchmark price as determined
29 by the commission pursuant to Section 963 for a period of 10, 15,
30 or 20 years, as authorized by the commission. The commission
31 may adjust the payment rate to reflect the value of every
32 kilowatthour of electricity generated on a time-of-delivery basis
33 and any other attributes of renewable generation. The commission
34 shall ensure that ratepayers that do not receive service pursuant to
35 the tariff are indifferent, with respect to rates and charges, to
36 whether a ratepayer with a small-scale renewable distributed
37 generation facility receives service pursuant to the tariff.

38 (c) Every electrical corporation shall make this tariff available
39 to customers that own, lease, or rent a small-scale renewable
40 distributed generation facility within the service territory of the

1 ~~electrical corporation, upon request, on a first-come-first-served~~
2 ~~basis, until the combined statewide cumulative rated generating~~
3 ~~capacity of those facilities reaches 500 megawatts. An electrical~~
4 ~~corporation may make the terms of the tariff available to customers~~
5 ~~in the form of a standard contract subject to commission approval.~~
6 ~~Each electrical corporation shall only be required to offer service~~
7 ~~or contracts under this section until that electrical corporation~~
8 ~~meets its proportionate share of the 500 megawatts based on the~~
9 ~~ratio of its peak demand to the total statewide peak demand.~~

10 ~~(d) Every kilowatthour of electricity purchased from the electric~~
11 ~~generation facility shall count toward the electrical corporation's~~
12 ~~renewables portfolio standard annual procurement targets for~~
13 ~~purposes of this chapter.~~

14 ~~(e) The electricity generated by a small-scale renewable~~
15 ~~distributed generation facility, consistent with Section 380, shall~~
16 ~~count toward the electrical corporation's resource adequacy~~
17 ~~requirement.~~

18 ~~(f) (1) The commission, in consultation with the Independent~~
19 ~~System Operator, shall monitor and examine the impact on the~~
20 ~~transmission and distribution grid and any effects upon ratepayers~~
21 ~~resulting from small-scale renewable distributed generation~~
22 ~~facilities operating pursuant to a tariff or contract approved by the~~
23 ~~commission pursuant to this section.~~

24 ~~(2) The commission shall establish performance standards for~~
25 ~~any small-scale renewable distributed generation facility that has~~
26 ~~a capacity greater than one megawatt to ensure that those facilities~~
27 ~~are constructed, operated, and maintained to generate the expected~~
28 ~~annual net production of electricity and do not impact system~~
29 ~~reliability.~~

30 ~~(g) (1) The commission may modify or adjust the requirements~~
31 ~~of this section for any electrical corporation with less than 100,000~~
32 ~~service connections, as individual circumstances merit.~~

33 ~~(2) The commission may reduce the five megawatt capacity~~
34 ~~limitation of subdivision (a) of Section 986, if the commission~~
35 ~~finds that a reduced capacity limitation is necessary to maintain~~
36 ~~system reliability within that electrical corporation's service~~
37 ~~territory.~~

38 ~~(h) (1) A customer electing to receive service under a tariff or~~
39 ~~contract approved by the commission shall continue to receive~~

1 service under the tariff or contract until either of the following
2 occurs:

3 (A) The customer no longer meets the eligibility requirements
4 for receiving service pursuant to the tariff or contract.

5 (B) The period of service established by the commission
6 pursuant to subdivision (b) is completed.

7 (2) Upon completion of the period of service established by the
8 commission pursuant to subdivision (b), the customer may elect
9 to renew receiving service pursuant to the tariff or contract
10 approved by the commission for the period of time then established
11 by the commission, or may elect to receive service under another
12 then applicable tariff.

13 988. (a) A local publicly owned electric utility that sells
14 electricity at retail to 75,000 or more customers shall adopt a
15 standard tariff for electricity purchased from a small-scale
16 renewable distributed generation facility.

17 (b) The governing board of the local publicly owned electric
18 utility shall ensure that the tariff adopted pursuant to subdivision
19 (b) reflects the value of every kilowatthour of electricity generated
20 on a time-of-delivery basis. The governing board may adjust this
21 value based on the other attributes of renewable generation. The
22 governing board shall ensure that ratepayers that do not receive
23 service pursuant to the tariff are indifferent, with respect to rates
24 and charges, to whether a ratepayer with a small-scale renewable
25 distributed generation facility receives service pursuant to the
26 tariff.

27 (c) A local publicly owned electric utility that sells electricity
28 at retail to 75,000 or more customers shall make the tariff available
29 to customers that own, lease, or rent a small-scale renewable
30 distributed generation facility within the service territory of the
31 utility, upon request, on a first-come-first-served basis, until the
32 combined statewide cumulative rated generating capacity of those
33 facilities reaches 250 megawatts. A local publicly owned electric
34 utility may make the terms of the tariff available to customers in
35 the form of a standard contract. A local publicly owned electric
36 utility is only required to offer service or contracts under this
37 section until the utility meets its proportionate share of the 250
38 megawatts based on the ratio of its peak demand to the total
39 statewide peak demand.

~~(d) Every kilowatthour of electricity purchased from a small-scale renewable distributed generation facility shall count toward the local publicly owned electric utility's renewables portfolio standard procurement requirements for purposes of this chapter.~~

~~(e) A local publicly owned electric utility may establish performance standards for any small-scale renewable distributed generation facility that has a capacity greater than one megawatt to ensure that those facilities are constructed, operated, and maintained to generate the expected annual net production of electricity and do not impact system reliability.~~

~~(f) A local publicly owned electric utility may reduce the five megawatt capacity limitation of subdivision (a) of Section 986, if the utility finds that a reduced capacity limitation is necessary.~~

Article 7.6. Renewables Infrastructure Authority

990. (a) The Legislature finds and declares that in order to furnish the citizens of California with a reliable and affordable supply of electricity that integrates electricity generated from eligible renewable energy resources consistent with the renewables portfolio standard, and to protect the public health, welfare, and safety, the state needs to finance, purchase, lease, own, operate, acquire, or otherwise provide financial assistance for public and private facilities for the generation and transmission of electricity generated from eligible renewable energy resources.

(b) As used in this article, the following terms have the following meanings:

(1) "Authority" means the Renewables Infrastructure Authority established pursuant to Section 991 and any board, commission, department, or officer succeeding to the functions thereof, or to whom the powers conferred upon the authority by this article shall be given by law.

(2) "Board" means the Board of Directors of the Renewables Infrastructure Authority.

(3) "Bond purchase agreement" means a contractual agreement executed between the authority and an underwriter or underwriters and, where appropriate, a participating party, whereby the authority agrees to sell bonds issued pursuant to this article.

1 (4) “Bonds” means bonds, including structured, senior, and
2 subordinated bonds or other securities; loans; notes, including
3 bond revenue or grant anticipation notes; certificates of
4 indebtedness; commercial paper; floating rate and variable maturity
5 securities; and any other evidences of indebtedness or ownership,
6 including certificates of participation or beneficial interest, asset
7 backed certificates, or lease-purchase or installment purchase
8 agreements, whether taxable or excludable from gross income for
9 state and federal income taxation purposes.

10 (5) “Cost,” as applied to a program, project, or portion thereof
11 financed under this article, means all or any part of the cost of
12 construction, improvement, repair, reconstruction, renovation, and
13 acquisition of all lands, structures, improved or unimproved real
14 or personal property, rights, rights-of-way, franchises, licenses,
15 easements, and interests acquired or used for a project; the cost of
16 demolishing or removing or relocating any buildings or structures
17 on land so acquired, including the cost of acquiring any lands to
18 which the buildings or structures may be moved; the cost of all
19 machinery and equipment; financing charges; the costs of any
20 environmental mitigation; the costs of issuance of bonds or other
21 indebtedness; interest prior to, during, and for a period after,
22 completion of the project, as determined by the authority;
23 provisions for working capital; reserves for principal and interest;
24 reserves for reduction of costs for loans or other financial
25 assistance; reserves for maintenance, extension, enlargements,
26 additions, replacements, renovations, and improvements; and the
27 cost of architectural, engineering, financial, appraisal, and legal
28 services, plans, specifications, estimates, administrative expenses,
29 and other expenses necessary or incidental to determining the
30 feasibility of any project, enterprise, or program or incidental to
31 the completion or financing of any project or program.

32 (6) “Electric transmission line” means any electrical powerline
33 carrying electricity from a powerplant or renewable energy
34 designation zone located within the state to a point of junction
35 with any interconnected transmission system. Electric transmission
36 line may include any high-voltage electric transmission line
37 pursuant to Section 25330 of the Public Resources Code, and any
38 replacement on the site of existing electrical powerlines with
39 electrical powerlines equivalent to those existing electrical
40 powerlines or the placement of new or additional conductors,

1 insulators, or accessories related to those electrical powerlines on
2 supporting structures in existence on January 1, 2010, or certified
3 pursuant to this article. Electric transmission line may also include
4 a remote resource interconnection line to accommodate proposed
5 location-constrained generation in a designated renewable energy
6 designation zone.

7 (7) “Enterprise” means a revenue-producing improvement,
8 building, system, plant, works, facilities, or undertaking used for
9 or useful for the generation or production of electricity for lighting,
10 heating, and power for public or private uses. Enterprise includes,
11 but is not limited to, all parts of the enterprise, all appurtenances
12 to it, lands, easements, rights in land, water rights, contract rights,
13 franchises, buildings, structures, improvements, equipment, and
14 facilities appurtenant or relating to the enterprise.

15 (8) “Feasible” means capable of being accomplished in a
16 successful manner within a reasonable period of time, taking into
17 account economic, environmental, social, and technological factors.

18 (9) “Financial assistance” in connection with a project, enterprise
19 or program, includes, but is not limited to, any combination of
20 grants, loans, the proceeds of bonds issued by the authority,
21 insurance, guarantees or other credit enhancements or liquidity
22 facilities, and contributions of money, property, labor, or other
23 things of value, as may be approved by resolution of the board;
24 the purchase or retention of authority bonds, the bonds of a
25 participating party for their retention or for sale by the authority,
26 or the issuance of authority bonds or the bonds of a special purpose
27 trust used to fund the cost of a project or program for which a
28 participating party is directly or indirectly liable, including, but
29 not limited to, bonds, the security for which is provided in whole
30 or in part pursuant to the powers granted by this division; bonds
31 for which the authority has provided a guarantee or enhancement;
32 or any other type of assistance determined to be appropriate by
33 the authority.

34 (10) “Fund” means the Renewables Infrastructure Authority
35 Fund created pursuant to Section 995.

36 (11) “Loan agreement” means a contractual agreement executed
37 between the authority and a participating party that provides that
38 the authority will loan funds to the participating party and that the
39 participating party will repay the principal and pay the interest and
40 redemption premium, if any, on the loan.

1 (12) “Participating party” means either of the following:

2 (A) Any person, company, corporation, partnership, firm,
3 federally recognized California Indian tribe, or other entity or
4 group of entities, whether organized for profit or not for profit,
5 engaged in business or operations within the state and that applies
6 for financial assistance from the authority for the purpose of
7 implementing a project or program in a manner prescribed by the
8 authority.

9 (B) Any subdivision of the state or local government, including,
10 but not limited to, departments, agencies, commissions, cities,
11 counties, nonprofit corporations, special districts, assessment
12 districts, and joint powers authorities within the state or any
13 combination of these subdivisions, that has, or proposes to acquire,
14 an interest in a project, or that operates or proposes to operate a
15 program and that makes application to the authority for financial
16 assistance in a manner prescribed by the authority.

17 (13) “Program” means a loan program that provides financial
18 assistance to a participating party to use for the purchase or lease
19 of eligible renewable energy resources.

20 (14) “Project” means plants, facilities, equipment, appliances,
21 structures, expansions, and improvements within the state that
22 serve the purposes of this article as approved by the authority, and
23 all activities and expenses necessary to initiate and complete those
24 projects.

25 (15) “Renewable energy designation zone” means the
26 geographic area necessary to accommodate the construction and
27 operation of one or more powerplants or other form of generation
28 that operate using an “eligible renewable energy resource” as
29 defined in Section 952 and where the backup fuel, such as oil and
30 natural gas, does not, in the aggregate, exceed 10 percent of the
31 total energy output of the facility during any calendar year period.
32 A renewable energy designation zone shall accommodate existing
33 land uses and land uses identified in local, general, or specific
34 plans, and avoid environmental constraints or mitigate potential
35 environmental impacts.

36 (16) “Revenues” means all receipts, purchase payments, loan
37 repayments, lease payments, rents, fees and charges, and all other
38 income or receipts derived by the authority from an enterprise, or
39 by the authority or a participating party from any other financing
40 arrangement undertaken by the authority or a participating party,

1 including, but not limited to, all receipts from a bond purchase
2 agreement, and any income or revenue derived from the investment
3 of any money in any fund or account of the authority or a
4 participating party.

5 (17) “State” means the State of California.

6 (18) “Transmission corridor zone” means the geographic area
7 necessary to accommodate the construction and operation of one
8 or more high-voltage electric transmission lines. A transmission
9 corridor zone shall not be more than 1,500 feet in width unless
10 required to accommodate existing land uses and land uses identified
11 in local, general, or specific plans, or to avoid environmental
12 constraints or mitigate potential environmental impacts.

13 (c) Any action taken pursuant to this division is exempt from
14 the Administrative Procedure Act, as defined in Section 11370 of
15 the Government Code.

16 991. (a) There is hereby created in the state government the
17 Renewables Infrastructure Authority, which shall be responsible
18 for administering this article. The authority shall implement the
19 purposes of this chapter and to that end, finance projects and
20 programs in pursuant to this article, all to the mutual benefit of the
21 people of the state and to protect their health, welfare, and safety.

22 (b) The authority shall be governed by a nine-member board of
23 directors that shall consist of the following persons:

24 (1) The Secretary for Resources.

25 (2) Secretary for Environmental Protection.

26 (3) Chair of the Energy Commission.

27 (4) President of the commission.

28 (5) A member of the public appointed by the Governor and
29 subject to confirmation by the Senate. This member shall have
30 considerable experience in power generation, natural gas
31 transportation or storage, energy conservation, financing, or
32 ratepayer advocacy.

33 (6) The State Treasurer.

34 (7) The president of the Independent System Operator governing
35 board.

36 (8) A designee of the Senate Pro Tem, who shall be a nonvoting
37 member.

38 (9) A designee of the Speaker of the Assembly, who shall be a
39 nonvoting member.

1 (c) A quorum is necessary for any action to be taken by the
2 board. Five of the members shall constitute a quorum, and the
3 affirmative vote of four board members shall be necessary for any
4 action to be taken by the board.

5 (d) (1) The chairperson of the board shall be appointed by the
6 Governor.

7 (2) Except as provided in this subdivision, the members of the
8 board shall serve without compensation, but shall be reimbursed
9 for actual and necessary expenses incurred in the performance of
10 their duties to the extent that reimbursement for these expenses is
11 not otherwise provided or payable by another public agency, and
12 shall receive one hundred dollars (\$100) for each full day of
13 attending meetings of the authority.

14 991.1. (a) The authority is authorized and empowered to do
15 any of the following:

16 (1) Adopt an official seal.

17 (2) Sue and be sued in its own name.

18 (3) Employ or contract with officers and employees to
19 administer the authority. The authority may contract for the services
20 of a chief executive officer, who shall serve at the pleasure of the
21 board. If the chief executive officer contracts for the services of
22 any other officer or employee, the contract shall be subject to the
23 approval of the board.

24 (4) Exercise the power of eminent domain.

25 (5) Adopt rules and regulations for the regulation of its affairs
26 and the conduct of its business.

27 (6) Do all things generally necessary or convenient to carry out
28 its powers and purposes under this article.

29 (b) The chief executive officer shall manage and conduct the
30 business and affairs of the authority and the fund subject to the
31 direction of the board. Except as otherwise provided in this section,
32 the board may assign to the executive director, by resolution, those
33 duties generally necessary or convenient to carry out its powers
34 and purposes under this article. The chief executive office may
35 designate a liaison to the federal government to facilitate, when
36 necessary, the implementation of its powers and duties. Any action
37 involving final approval of any bonds, notes, loans, or other
38 financial assistance shall require the approval of a majority of the
39 members of the board.

1 991.2. (a) The authority's operating budget shall be subject
2 to review and appropriation in the annual Budget Act. For purposes
3 of this section, the authority's operating budget shall include the
4 costs of personnel, administration, and overhead.

5 (b) The authority shall, on or before January 1 of each year,
6 prepare and submit to the Governor, the Chairperson of the Joint
7 Legislative Budget Committee, and the chairperson of the
8 committee in each house that considers appropriations, a report
9 regarding its activities and expenditures pursuant to this article.

10 (c) The Bureau of State Audits shall perform an evaluation of
11 the effectiveness of the authority's efforts in achieving its purposes
12 as described in Section 991.3. The evaluation shall include
13 recommendations as to whether there is a continued need for the
14 authority beyond January 1, 2016. The evaluation shall be
15 submitted to the Governor and the Legislature on or before January
16 1, 2014.

17 991.3. The authority may only exercise its powers pursuant to
18 this article for the following purposes:

19 (a) Establish, finance, purchase, lease, own, operate, acquire,
20 or construct generating facilities that are eligible renewable energy
21 resources and other projects and enterprises to facilitate the state's
22 renewable energy goals, on its own or through agreements with
23 public and private third parties or joint ventures with public or
24 private entities, or provide financial assistance for projects or
25 programs by participating parties, to supplement private and public
26 sector supplies of electricity, taking into account generation
27 facilities in operation or under development as of the effective date
28 of this section, and to ensure a sufficient and reliable supply of
29 electricity for California's consumers at just and reasonable rates.

30 (b) Finance programs, administered by the Energy Commission,
31 the commission, and other approved participating parties for
32 consumers and businesses to invest in cost-effective energy
33 efficient appliances, eligible renewable energy resources, and other
34 programs that will reduce the demand for energy in California or
35 meet that demand through generation from eligible renewable
36 energy resources.

37 (c) Achieve an adequate energy reserve capacity in California.

38 (d) Provide financing for owners of aged, inefficient, eligible
39 renewable energy resources to perform necessary retrofits to

1 improve the efficiency and environmental performance of those
2 resources.

3 991.4. The authority may enter into any agreement or contract,
4 execute any instrument, and perform any act or thing necessary or
5 convenient to, directly or indirectly, secure the authority's bonds
6 or a participating party's obligations to the authority, including,
7 but not limited to, bonds of a participating party purchased by the
8 authority for retention or sale, with funds or moneys that are legally
9 available and that are due or payable to the participating party by
10 reason of any grant, allocation, apportionment, or appropriation
11 of the state or agencies thereof, to the extent that the Controller
12 shall be the custodian at any time of these funds or moneys, or
13 with funds or moneys that are or will be legally available to the
14 participating party, the authority, or the state or any agencies
15 thereof by reason of any grant, allocation, apportionment, or
16 appropriation of the federal government or agencies thereof; and
17 in the event of written notice that the participating party has not
18 paid or is in default on its obligations to the authority, direct the
19 Controller to withhold payment of those funds or moneys from
20 the participating party over which it is or will be custodian and to
21 pay the same to the authority or its assignee, or direct the state or
22 any agencies thereof to which any grant, allocation, apportionment,
23 or appropriation of the federal government or agencies thereof is
24 or will be legally available to pay the same upon receipt to the
25 authority or its assignee, until the default has been cured and the
26 amounts then due and unpaid have been paid to the authority or
27 its assignee, or until arrangements satisfactory to the authority
28 have been made to cure the default.

29 991.5. (a) The fiscal powers granted to the authority by this
30 article may be exercised without regard or reference to any other
31 department, division, or agency of the state, except the Legislature
32 or as otherwise stated in this article. This article shall be deemed
33 to provide an alternative method of doing the things authorized by
34 this article, and shall be regarded as supplemental and additional
35 to powers conferred by other laws.

36 (b) No member of the board or any person executing bonds of
37 the authority pursuant to this article shall be personally liable on
38 the bonds or subject to any personal liability or accountability by
39 reason of the issuance thereof.

(c) All expenses incurred in connection with any enterprise or project in carrying out this article shall be payable solely from funds provided under the authority of this article and no liability or obligation shall be imposed upon the State of California and, none shall be incurred by the authority beyond the extent to which moneys shall have been provided under this article. Under no circumstances shall the authority create any debt, liability, or obligation on the part of the State of California in connection with any enterprise or project payable from any source whatsoever other than the moneys provided under this article.

991.6. In connection with an enterprise, the authority may do any or all of the following:

(a) Acquire any enterprise by gift, purchase, or eminent domain as necessary to achieve the purposes of the authority pursuant to Sections 991.3 and 992.1.

(b) Construct or improve any enterprise. By gift, lease, purchase, eminent domain, or otherwise, it may acquire any real or personal property, for an enterprise, except that no property of a state public body may be acquired without its consent. The authority may sell, lease, exchange, transfer, assign, or otherwise dispose of any real or personal property or any interest in such property. It may lay out, open, extend, widen, straighten, establish, or change the grade of any real property or public rights-of-way necessary or convenient for any enterprise.

(c) Operate, maintain, repair, or manage all or any part of any enterprise, including the leasing for commercial purposes of surplus space or other space that is not economic to use for such enterprise.

(d) Adopt reasonable rules or regulations for the conduct of the enterprise.

(e) Prescribe, revise, and collect charges for the services, facilities, or energy furnished by the enterprise. The charges shall be established and adjusted so as to provide funds sufficient with other revenues and moneys available therefor, if any, to (1) pay the principal of, and interest on, outstanding bonds of the authority financing such enterprise as the same shall become due and payable, (2) create and maintain reserves, including, without limitation, operating and maintenance reserves and reserves required or provided for in any resolution authorizing, or trust agreement securing such bonds, and (3) pay operating and administrative costs of the authority.

1 (f) Execute all instruments, perform all acts, and do all things
2 necessary or convenient in the exercise of the powers granted by
3 this article.

4 991.7. In connection with a project, the authority may do any
5 or all of the following:

6 (a) Determine the location and character of any project to be
7 financed under this article.

8 (b) Acquire, construct, enlarge, remodel, renovate, alter,
9 improve, furnish, equip, own, maintain, manage, repair, operate,
10 lease as lessee or lessor, or regulate any project to be financed
11 under this article.

12 (c) Contract with any participating party for the construction of
13 a project by such participating party.

14 (d) Enter into leases and agreements, as lessor or lessee, with
15 any participating party relating to the acquisition, construction,
16 and installation of any project, including real property, buildings,
17 equipment, and facilities of any kind or character.

18 (e) Establish, revise, charge and collect rates, rents, fees, and
19 charges for a project. The rates, rents, fees, and charges shall be
20 established and adjusted in respect to the aggregate rates, rents,
21 fees, and charges from all projects so as to provide funds sufficient
22 with other revenues and moneys available therefor, if any, to (1)
23 pay the principal of and interest on outstanding bonds of the
24 authority financing the project as the same shall become due and
25 payable, (2) create and maintain reserves, including, without
26 limitation, operating and maintenance reserves and reserves
27 required or provided for in any resolution authorizing, or trust
28 agreement securing the bonds, and (3) pay operating and
29 administrative costs of the authority.

30 (f) Enter into contracts of sale with any participating party
31 covering any project financed by the authority.

32 (g) As an alternative to leasing or selling a project to a
33 participating party, finance the acquisition, construction, or
34 installation of a project by means of a loan to the participating
35 party.

36 (h) Execute all instruments, perform all acts, and do all things
37 necessary or convenient in the exercise of the powers granted by
38 this article.

39 991.8. In connection with the purposes of this article, the
40 authority may charge and equitably apportion among participating

1 parties or other public or private entities the authority's
2 administrative costs and expenses, including operating and
3 financing-related costs incurred in connection with an enterprise
4 or a project. The authority shall recover those costs that are related
5 to one of the authority's own enterprises or projects, in which case
6 costs shall be included in the cost of generating and transmitting
7 that electricity.

8 992. (a) All generation-related projects and enterprises financed
9 pursuant to this article shall provide electricity to the consumers
10 of this state at the cost of generating that electricity, including the
11 costs of financing those projects or enterprises. To the extent that
12 electricity is not needed in the state, or that it is financially
13 advantageous to California consumers, the electricity may be sold
14 outside the state at just and reasonable rates.

15 (b) If a participating party is an electrical corporation, the
16 commission shall determine the cost of generating electricity and
17 to which entities the electricity is sold.

18 (c) If a participating party is a local publicly owned electric
19 utility seeking to provide electricity to consumers in its service
20 territory, the governing board of that utility shall determine the
21 cost of generating electricity and to which entities the electricity
22 is sold.

23 (d) If neither subdivision (b) nor subdivision (c) applies, the
24 authority shall determine the cost of generating electricity and to
25 which entities the electricity is sold, consistent with subdivision
26 (a).

27 992.1. In addition to the other powers provided in this article,
28 the activities of the authority under this article are intended to
29 supplement private and public sector supplies of electricity
30 generated from eligible renewable energy resources, taking into
31 account generation facilities in operation or under development
32 as of January 1, 2010, consistent with achieving reasonable energy
33 capacity reserves.

34 992.2. The authority shall have the authority to receive and act
35 on applications for financial assistance from renewable generators
36 who commit to undertake capacity expansion through facility
37 retrofits, new construction, or both, that will improve the efficiency
38 and environmental performance of generation facilities that are
39 eligible renewable energy resources.

1 992.4. (a) The authority may not invest in any nuclear facilities
2 or develop additional hydroelectric facilities without first receiving
3 specific statutory authorization to do so on a project-by-project
4 basis.

5 (b) All generation facilities constructed or improved pursuant
6 to this article shall comply with Chapter 1 (commencing with
7 Section 1720) of Part 7 of Division 2 of the Labor Code.

8 992.5. (a) If the authority determines that additional electric
9 generation supply is required to meet the purposes of this chapter,
10 the authority may undertake the following activities to ensure that
11 the authority, or any participating party, is able to build, own, and
12 operate generation facilities as part of a least cost electric supply
13 policy:

14 (1) (A) Identify suitable sites or renewable energy designation
15 zones for the construction of generation facilities, taking into
16 account fuel supply, interconnection, community, feasibility, and
17 environmental factors.

18 (B) The authority may designate a renewable energy designation
19 zone on its own motion, by a motion by the Energy Commission,
20 or by an application of a person who plans to construct an eligible
21 renewable energy resource within the state. The designation of a
22 renewable energy designation zone shall serve to identify a feasible
23 region where one or more generation facilities that are eligible
24 renewable energy resources may be built that are consistent with
25 the state's needs and objectives as set forth in the Renewables
26 Investment Plan adopted pursuant to Section 994.

27 (C) In addition to designating zones, the authority may rank
28 renewable energy designation zones based on the following criteria:

29 (i) Total capacity of generation projects that are in the
30 Independent System Operator generation queue for each of the
31 renewable energy designation zones.

32 (ii) Fuel diversity.

33 (iii) Distance to the nearest possible Independent System
34 Operator transmission bulk facility.

35 (iv) Potential viable transmission route.

36 (v) Order of magnitude of transmission cost per megawatt for
37 the designated renewable energy designation zone to deliver
38 electricity from renewable generators to the load centers.

(vi) Realistic commercial operating dates for location-constrained projects and the transmission interconnection facilities.

(vii) Potential impact on the transmission access charge.

(viii) Potential operational, congestion, and reliability benefits of the facility.

(ix) Stranded cost risk and potential impact.

(x) Alternative means of transmission access from the renewable energy designation zone to the Independent System Operator grid.

(D) The authority shall arrange for the publication of a summary of any application made for designation in a newspaper of general circulation in each county where the proposed renewable energy designation zone would be located, and shall notify all property owners within, or adjacent to, the renewable energy designation zone. The authority shall transmit a copy of the application for designation to all cities, counties, and state and federal agencies having an interest in the proposed renewable energy designation zone. The authority shall publish the application for designation on its Internet Web site, and notify members of the public that the application is available on the authority's Internet Web site.

(E) As soon as practicable after the authority designates a renewable energy designation zone, it shall do both of the following:

(i) Post a copy of its decision on its Internet Web site and cause a summary of the notice to be published in a newspaper of general circulation in each county in which the renewable energy designation zone and related facilities, or any part thereof, designated in the notice are proposed to be located.

(ii) Send a copy of its decision, including a description of the renewable energy designation zone to each affected city, county, state agency, and federal agency, and notify property owners within or adjacent to the renewable energy designation zone of the availability of the decision on the authority's Internet Web site.

(F) After receiving notice from the authority regarding the designation or revision of a renewable energy designation zone within its jurisdiction, each city or county shall consider the designated zone when making a determination regarding a land use change within or adjacent to the zone that could affect its continuing viability to accommodate generation facilities, related transmission lines, transmission corridor zones, or other facilities

1 appurtenant to the designated zone. Upon receiving the authority's
2 notification of a proposed renewable energy designation zone, a
3 city or county may request a fee from the authority to cover the
4 actual added costs of this review and the authority shall pay this
5 amount to the city or county.

6 (G) After the authority designates a renewable energy
7 designation zone, it shall identify that zone in its subsequent
8 Renewables Investment Plans adopted pursuant to Section 994.
9 The Energy Commission shall display the renewable energy
10 designation zone in the strategic plans adopted pursuant to Section
11 25324 of the Public Resources Code.

12 (H) If, upon regular review or at any other time, the authority
13 finds that a renewable energy designation zone designation is no
14 longer needed, the authority shall revise or repeal the designation
15 and, as soon as practicable, notify the affected cities, counties,
16 state and federal agencies, and property owners within, or adjacent
17 to, the renewable energy designation zone.

18 (2) (A) Notwithstanding Chapter 6 (commencing with Section
19 25500) of Division 15 of the Public Resources Code, certify all
20 sites and related facilities for all generation facilities that are
21 eligible renewable energy resources, and facilities appurtenant
22 thereto, that are within the state that have a minimum generating
23 capacity of 5 megawatts, including, but not limited to, all
24 generation facilities in a designated renewable energy designation
25 zone, including new sites and related facilities and changes or
26 additions to an existing facility.

27 (B) The issuance of a certificate by the authority shall be in lieu
28 of any permit, certificate, or similar document required by any
29 state, local, or regional agency or federal agency to the extent
30 permitted by federal law, for use of the site and related facilities,
31 and shall supersede any applicable statute, ordinance, or regulation
32 of any state, local, or regional agency, or federal agency to the
33 extent permitted by federal law.

34 (C) The authority shall determine within 30 days of the
35 application to construct a generation facility within a designated
36 renewable energy designation zone whether the application is
37 complete.

38 (D) If the notice or application is determined to be complete,
39 the authority shall conduct all applicable public and community
40 involvement processes. After the conclusion of hearings, and no

1 later than 180 days after the date of determination of whether the
2 application is complete, the authority shall issue a proposed
3 decision that contains its findings and conclusions regarding all
4 of the following matters:

5 (i) Conformity of the proposed generation facility and related
6 facilities with the Renewables Investment Plan adopted pursuant
7 to Section 994.

8 (ii) Suitability of the proposed generation facility and related
9 facilities with respect to environmental, public health and safety,
10 land use, economic, and transmission-system impacts.

11 (iii) Mitigation measures and alternatives as may be needed to
12 protect environmental quality, public health and safety, the state's
13 electrical transmission grid, or any other relevant matter.

14 (iv) Other factors that the authority considers relevant.

15 (E) The authority shall issue its final decision on certification
16 within six months of the date the authority determined that the
17 application was complete.

18 (3) Secure rights to the sites or renewable energy designation
19 zones identified, including, but not limited to, fee simple
20 acquisition, leaseholds, or options.

21 (4) Conduct any studies that may be necessary to construct and
22 operate generation facilities at the site that are eligible renewable
23 energy resources, including, but not limited to, environmental,
24 engineering, or feasibility studies. The designation of a renewable
25 energy designation zone is subject to the California Environmental
26 Quality Act (Division 13 (commencing with Section 21000) of
27 the Public Resources Code). The authority shall be the lead agency
28 for all generation projects proposed in the designated zone. When
29 deemed feasible, the authority shall prepare a master environmental
30 impact report for a designated zone.

31 (5) Conduct, in coordination with the Energy Commission, all
32 applicable public and community involvement processes.

33 (6) Apply for permits, licenses, or other local, state, or federal
34 approvals, including, but not limited to, compliance with the
35 applicable procedures of the Energy Commission.

36 (b) The authority may request proposals from qualified
37 participating parties to purchase, lease, or otherwise acquire sites
38 for the purpose of developing generation facilities that are eligible
39 renewable energy resources and that will provide the lowest cost
40 electricity to consumers over the life of the facilities, consistent

1 with Section 992. If after 45 days following a request for proposals,
2 or 45 days after notification pursuant to subparagraph (E) of
3 paragraph (1) of subdivision (a), if the authority determines it is
4 necessary and feasible, the authority shall exercise its authority to
5 build, own, and operate generation facilities as part of a least cost
6 electrical supply policy.

7 (c) The authority shall comply with all applicable air quality
8 laws and all environmental regulations.

9 993. (a) In accordance with the provisions of this article and
10 notwithstanding any other provision of law, the authority shall,
11 except as provided in subdivision (e), have the exclusive power
12 to certify all electric transmission lines, remote resource
13 interconnection lines, electric transmission facilities and facilities
14 appurtenant thereto, and related facilities in the state, including
15 new electric transmission lines or transmission corridor zones and
16 related facilities or changes or additions to existing electric
17 transmission lines.

18 (b) The issuance of a certificate by the authority shall be in lieu
19 of any permit, certificate, or similar document required by any
20 state, local or regional agency, or federal agency to the extent
21 permitted by federal law, for such use of the site and related
22 facilities, and shall supersede any applicable statute, ordinance, or
23 regulation of any state, local, or regional agency, or federal agency
24 to the extent permitted by federal law.

25 (c) On or after January 1, 2011, no facility or line described in
26 subdivision (a) shall commence without first obtaining certification
27 for that site and related facility by the authority.

28 (d) The authority shall certify sufficient sites and related
29 facilities which are required for the transmission of electricity
30 sufficient to accommodate the generation projected in the most
31 recent designation of a renewable energy designation zone, adopted
32 pursuant to Section 992.5.

33 (e) (1) This section does not apply to any electric transmission
34 lines or facilities appurtenant thereto for which the commission
35 has issued a certificate of public convenience and necessity, or
36 which any local publicly owned electric utility has approved, before
37 January 1, 2011.

38 (2) This section does not apply to electric transmission lines
39 that connect generation facilities to the high-voltage transmission

1 grid that are under the siting authority of the Energy Commission,
2 pursuant to Section 25500 of the Public Resources Code.

3 993.4. (a) The authority may not invest in any electric
4 transmission lines without first receiving specific statutory
5 authorization to do so on a project-by-project basis.

6 (b) All electric transmission lines constructed or improved
7 pursuant to this division shall comply with Chapter 1 (commencing
8 with Section 1720) of Part 7 of Division 2 of the Labor Code.

9 993.5. (a) If the authority determines that an additional electric
10 transmission line is required to meet the purposes of this chapter,
11 the authority may undertake the following activities to ensure that
12 the authority, or any participating party, is able to build, own, and
13 operate transmission lines as part of a least cost electric supply
14 policy:

15 (1) Identify suitable sites for the construction of electric
16 transmission lines, taking into account the designation of a
17 renewable energy designation zone, interconnection, community,
18 feasibility, and environmental factors.

19 (2) Identify the site for an electric transmission line or a
20 transmission corridor zone on its own motion, by a motion by the
21 Energy Commission, or by application of a person who plans to
22 construct an electric transmission line within the state. The
23 designation of a site for an electric transmission line or a
24 transmission corridor zone shall serve to identify a feasible corridor
25 where one or more future electric transmission lines can be built
26 that are consistent with the state's needs and objectives as set forth
27 in the Renewables Investment Plan adopted pursuant to Section
28 994.

29 (3) Require an application to site the electric transmission line
30 be submitted to the authority. The application shall be in the form
31 prescribed by the authority, shall be supported by any information
32 that the authority may require, and shall require a showing that the
33 site being applied for is consistent with the Renewables Investment
34 Plan adopted pursuant to Section 994.

35 (4) Secure rights to the sites identified, including, but not limited
36 to, fee simple acquisition, leaseholds, or options.

37 (5) Conduct any studies that may be necessary to construct and
38 operate electric transmission lines and transmission corridor zones,
39 including, but not limited to, environmental, engineering, or
40 feasibility studies. The designation of the site for an electric

1 transmission line and facilities appurtenant thereto or transmission
2 corridor zones is subject to the California Environmental Quality
3 Act (Division 13 (commencing with Section 21000) of the Public
4 Resources Code). The authority shall be the lead agency for all
5 electric transmission lines and facilities appurtenant thereto and
6 transmission corridor zones pursuant to this chapter. The authority
7 shall conduct a programmatic environmental impact report, for
8 each designated electric transmission line.

9 (6) Conduct, in coordination with the Energy Commission, all
10 applicable public and community involvement processes.

11 (7) Apply for permits, licenses, or other local, state, or federal
12 approvals, including, but not limited to, compliance with the
13 applicable procedures of the Energy Commission.

14 (8) (A) Utilize the bond authority provided in this division,
15 under terms and conditions approved by the authority, to acquire,
16 construct, enlarge, remodel, renovate, alter, improve, furnish,
17 equip, own, maintain, manage, repair, operate, lease as lessee or
18 lessor, or regulate electric transmission lines.

19 (B) The rates, rents, fees, and charges associated with the
20 investment in electric transmission lines shall be established and
21 adjusted to ensure compliance with subdivision (e) of Section
22 991.7.

23 (9) Request proposals from qualified participating parties to
24 purchase, lease, or otherwise acquire sites for the purpose of
25 developing electric transmission facilities that will provide the
26 lowest cost power to consumers over the life of the facilities,
27 consistent with Section 992.

28 (b) When considering whether to designate a site for an electric
29 transmission line and facilities appurtenant thereto or transmission
30 corridor zones pursuant to this section, the authority shall confer
31 with cities and counties, federal agencies, and California Native
32 American tribes to identify appropriate areas within their
33 jurisdictions that may be suitable for designation. The authority
34 shall, to the extent feasible, coordinate efforts to identify long-term
35 transmission needs of the state with the land use plans of cities,
36 counties, federal agencies, and California Native American tribes.
37 The authority shall not propose any facility within the jurisdiction
38 of a California Native American tribe without the approval of the
39 California Native American tribe.

1 994. (a) By January 1, 2011, and annually thereafter, the
2 authority shall, in consultation with the Energy Commission and
3 the Independent System Operator, develop a Renewables
4 Investment Plan and submit that plan to the Governor and the Joint
5 Legislative Budget Committee and the chairs of the policy
6 committees with jurisdiction over energy policy in the State of
7 California.

8 (b) The Renewables Investment Plan shall take into account
9 California's anticipated needs, over the next decade, for electricity
10 generated by eligible renewable energy resources and the need for
11 transmission to deliver the electricity generated to retail customers.
12 The plan shall address issues regarding adequacy of supply,
13 storage, reliability of service, grid congestion, and environmental
14 quality. In developing the investment plan, the authority shall
15 compare the costs of various energy resources, including a
16 comparison of the costs and benefits of demand reduction strategies
17 with the costs and benefits of additional generation supply. The
18 plan shall acknowledge the potential volatility of fossil fuel prices
19 and the value of resources that avoid that price risk.

20 (c) The plan shall outline a strategy for cost-effective
21 investments, using the financing powers provided to the authority
22 by this article. The plan may recommend changes to the specific
23 expenditure authority granted in this article in order to carry out
24 the investment strategy contained in the plan.

25 (d) The plan shall be developed with input from interested
26 parties at scheduled public hearings of the authority. The authority
27 shall adopt the plan by majority vote of the board at a public
28 meeting. The authority shall update the plan on a regular basis as
29 determined by the authority.

30 (e) All investments made by the authority under this article shall
31 be consistent with the strategy outlined in the Renewables
32 Investment Plan. Nothing in this section shall preclude the authority
33 from exercising its powers prior to the adoption of the initial
34 Renewables Investment Plan.

35 (f) The authority shall be the agency responsible for ensuring
36 that the investment strategy outlined in the Renewables Investment
37 Plan is implemented. To that end, the authority may, on its own
38 or through a partnership with a participating party, make those
39 investments necessary to ensure that the plan is implemented.

1 994.5. Nothing in this article shall be construed to obviate the
2 need to review the roles, functions, and duties of other state energy
3 oversight agencies and, where appropriate, change or consolidate
4 those roles, functions, and duties. To achieve that efficiency, the
5 Governor may propose to the Legislature a Governmental
6 Reorganization Plan, pursuant to Section 8523 of the Government
7 Code and Section 6 of Article V of the Constitution.

8 995. (a) There is hereby created in the State Treasury the
9 Renewables Infrastructure Authority Fund for expenditure by the
10 authority for the purpose of implementing the objectives and
11 provisions of this article. For the purposes of subdivision (e), or
12 as necessary or convenient to the accomplishment of any other
13 purpose of the authority, the authority may establish within the
14 fund additional and separate accounts and subaccounts.

15 (b) Except as provided in subdivision (a) of Section 991.2, all
16 moneys in the fund that are not General Fund moneys are
17 continuously appropriated to the authority and may be used for
18 any reasonable costs that may be incurred by the authority in the
19 exercise of its powers under this article.

20 (c) The fund, on behalf of the authority, may borrow or receive
21 moneys from the authority, or from any federal, state, or local
22 agency or private entity, to create reserves in the fund as provided
23 in this article and as authorized by the board.

24 (d) The authority may pledge any or all of the moneys in the
25 fund (including in any account or subaccount) as security for
26 payment of the principal of, and interest on, any particular issuance
27 of bonds issued pursuant to this article.

28 (e) The authority, may, from time to time, direct the Treasurer
29 to invest moneys in the fund that are not required for the authority's
30 current needs, including proceeds from the sale of any bonds, in
31 any securities permitted by law as the authority shall designate.
32 The authority also may direct the Treasurer to deposit moneys in
33 interest-bearing accounts in state or national banks or other
34 financial institutions having principal offices in this state. The
35 authority may alternatively require the transfer of moneys in the
36 fund to the Surplus Money Investment Fund for investment
37 pursuant to Article 4 (commencing with Section 16470) of Chapter
38 3 of Part 2 of Division 4 of the Government Code. All interest or
39 other increment resulting from an investment or deposit shall be
40 deposited in the fund, notwithstanding Section 16305.7 of the

1 Government Code. Moneys in the fund shall not be subject to
2 transfer to any other fund pursuant to any provision of Part 2
3 (commencing with Section 16300) of Division 4 of the Government
4 Code, excepting the Surplus Money Investment Fund.

5 996. For the purposes provided in this division, the authority
6 is authorized to incur indebtedness and to issue securities of any
7 kind or class, at public or private sale by the Treasurer, and to
8 renew the same, provided that all such indebtedness, howsoever
9 evidenced, shall be payable solely from revenues. The authority
10 may issue bonds for the purposes of this division in an amount not
11 to exceed six billion, four hundred million dollars
12 (\$6,400,000,000), exclusive of any refundings.

13 996.1. In addition to the powers otherwise provided in this
14 article, the authority may, in connection with the issuance of bonds,
15 do all of the following:

16 (a) Issue, from time to time, bonds payable from and secured
17 by a pledge of all or any part of the revenues in order to finance
18 the activities authorized by this article, including, without
19 limitation, an enterprise or multiple enterprises, a single project
20 for a single participating party, a series of projects for a single
21 participating party, a single project for several participating parties,
22 or several projects for several participating parties, and to sell those
23 bonds at public or private sale by the Treasurer, in the form and
24 on those terms and conditions as the Treasurer, as agent for sale,
25 shall approve.

26 (b) Pledge all or any part of the revenues to secure bonds and
27 any repayment or reimbursement obligations of the authority to
28 any provider of insurance or a guarantee of liquidity or credit
29 facility entered into to provide for the payment or debt service on
30 any bond.

31 (c) Employ and compensate bond counsel, financial consultants,
32 underwriters, and other advisers determined necessary and
33 appointed by the Treasurer in connection with the issuance and
34 sale of any bond.

35 (d) Issue bonds to refund or purchase or otherwise acquire bonds
36 on terms and conditions as the Treasurer, as agent for sale, shall
37 approve.

38 (e) Perform all acts that relate to the function and purpose of
39 the authority under this article, whether or not specifically
40 designated.

1 996.2. Bonds issued under this article shall not be deemed to
2 constitute a debt or liability of the state or of any political
3 subdivision thereof, other than the authority, or a pledge of the
4 faith and credit of the state or of any political subdivision, other
5 than the authority, but shall be payable solely from the funds herein
6 provided therefor. All bonds issued under this division shall contain
7 on the face thereof a statement to the following effect: “Neither
8 the faith and credit nor the taxing power of the State of California
9 or any local agency is pledged to the payment of the principal of
10 or interest on this bond.” The issuance of bonds under this article
11 shall not directly or indirectly or contingently obligate the state or
12 any political subdivision thereof to levy or to pledge any form of
13 taxation whatever therefor or to make any appropriation for their
14 payment. Nothing in this section shall prevent nor be construed to
15 prevent the authority from pledging its full faith and credit to the
16 payment of bonds or issue of bonds authorized pursuant to this
17 article.

18 996.5. The authority is authorized to obtain loans from the
19 Pooled Money Investment Account pursuant to Sections 16312
20 and 16313 of the Government Code. These loans shall be subject
21 to the terms negotiated with the Pooled Money Investment Board,
22 including, but not limited to, a pledge of authority bond proceeds
23 or revenues.

24 997. The authority may not finance or approve any new
25 program, enterprise, or project on or after December 31, 2020,
26 unless authority to approve such an activity is granted by statute
27 enacted on or before January 1, 2021.

28 SEC. 11. No reimbursement is required by this act pursuant to
29 Section 6 of Article XIII B of the California Constitution because
30 certain costs that may be incurred by a local agency or school
31 district will be incurred because this act creates a new crime or
32 infraction, eliminates a crime or infraction, or changes the penalty
33 for a crime or infraction, within the meaning of Section 17556 of
34 the Government Code, or changes the definition of a crime within
35 the meaning of Section 6 of Article XIII B of the California
36 Constitution.

37 With respect to certain other costs, no reimbursement is required
38 by this act pursuant to Section 6 of Article XIII B of the California
39 Constitution because a local agency or school district has the
40 authority to levy service charges, fees, or assessments sufficient

- 1 to pay for the program or level of service mandated by this act,
- 2 within the meaning of Section 17556 of the Government Code.

O